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Forbes

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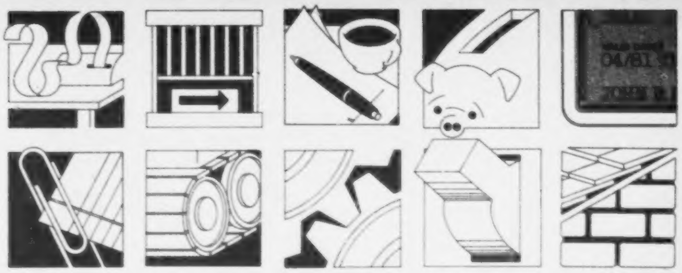

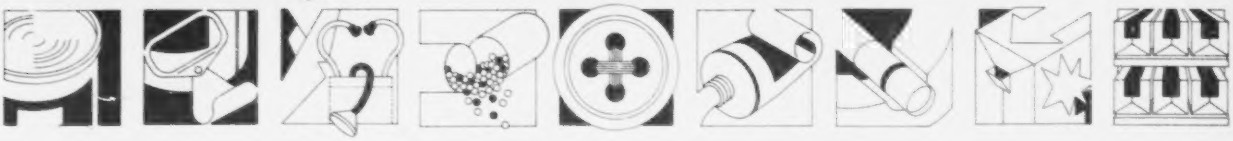

How the 1,023 largest U.S. public companies compare in profitability, growth and market performance on the FORBES Yardsticks, and what lies ahead in 1982.

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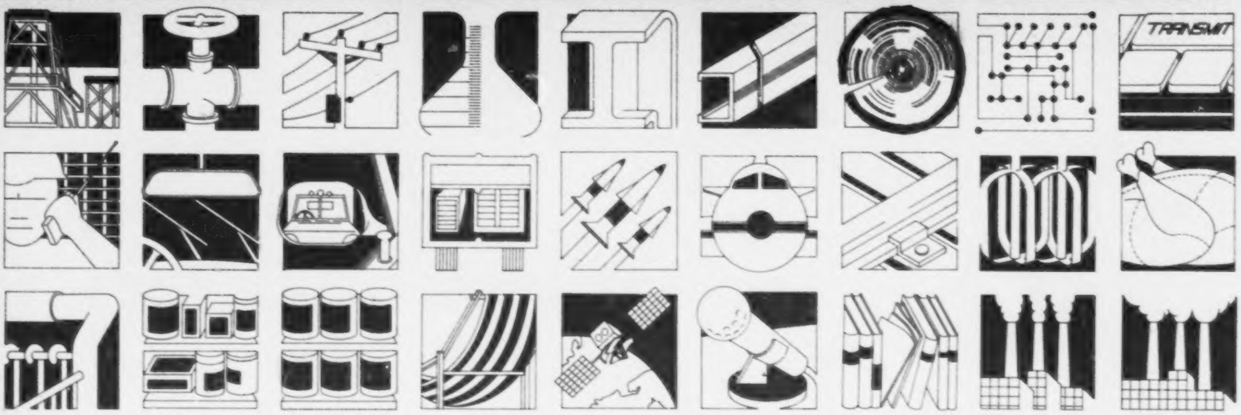

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So far, the age of IRAs for the masses may seem more like a bonanza for newspaper advertising salesmen than for the man in the street. But look again. There are significant advantages to IRAs that go far beyond the mere right to lop $2,000 off your taxable income.

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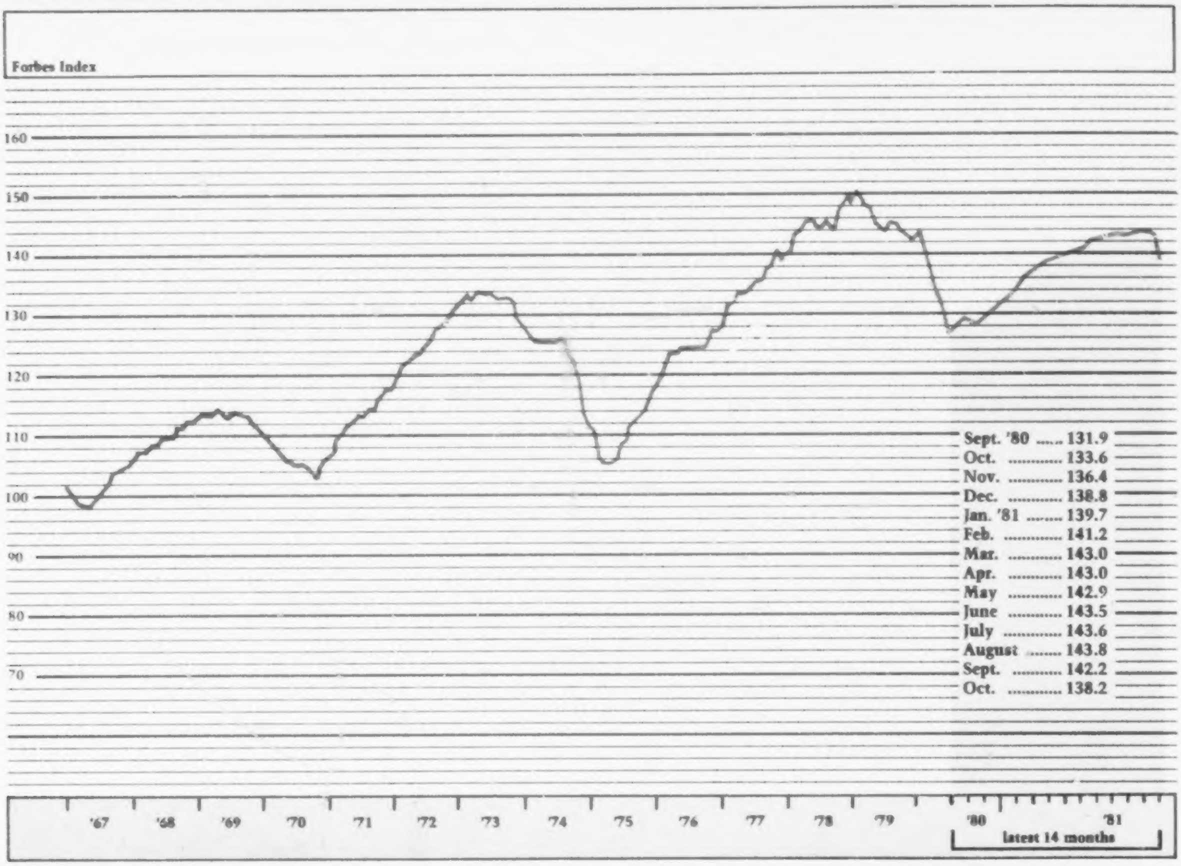
The Forbes Index



Sept. '80	131.9
Oct.	133.6
Nov.	136.4
Dec.	138.8
Jan. '81	139.7
Feb.	141.2
Mar.	143.0
Apr.	143.0
May	142.9
June	143.5
July	143.6
August	143.8
Sept.	142.2
Oct.	138.2

The Forbes Index Components

Holiday gloom and doom. The Forbes Index is off another 2.8%—the second consecutive decline. Manufacturers' orders dropped a whopping 9.1%, while inventories rose slightly, up 0.8%. Consumer borrowing also declined by 8.4%, and debt repayments fell 2.5%. Each move—especially the drop in orders—signals tough times ahead.

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

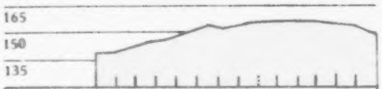
Total retail sales

New housing starts

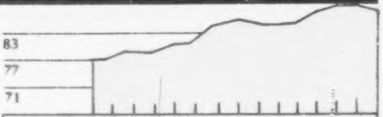
Personal income

The change in the amount of consumer installment debt outstanding

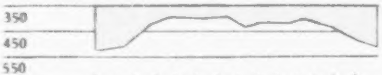
To measure these eight elements, Forbes monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



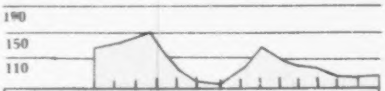
Industrial production index (1967=100) seasonally adjusted (Federal Reserve)



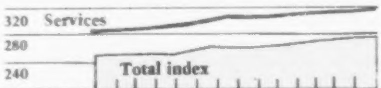
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)



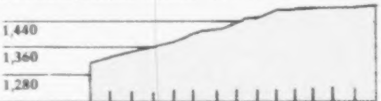
Unemployment claims (thousands) seasonally adjusted (Dept. of Labor)



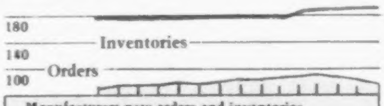
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)



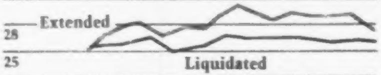
Consumer price indexes (1967=100) all urban consumers, unadjusted (Dept. of Labor)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Manufacturers new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

A S O N D J F M A M J J A S O
'80 '81

A S O N D J F M A M J J A S O
'80 '81

The Forbes Yardsticks 1981

How to use them

THE FORBES 34TH ANNUAL REPORT ON AMERICAN INDUSTRY measures management performance of 1,023 big public companies, most with latest fiscal year sales of at least $400 million.

The FORBES Yardsticks size up these companies in several ways. We measure their profitability in terms of return on stockholders' equity and on total capital. We measure their growth in both earnings per share and sales. For current trends we track these figures for the latest 12 months, while for a longer view we look at them over the past five years. We also measure their debt-to-equity ratios, net profit margins and stock market performance.

Where to find the Yardsticks

Industry median rankings, page 244
Profitability rankings, page 247
Growth rankings, page 256
Stock market rankings, page 265

Using all these measures, we compare each of the 1,023 companies against competitors in its own industry and against all 1,022 other companies. Finally, we compare median numbers for the major industry groups against each other. There are 46 major industry groups this year. Of these, 22 are further divided into 59 subgroups to give a clearer picture of how each company stacks up against its real competitors.

To locate a company, refer to the table that begins on the next page: "Where to find the company." It lists the 1,023 companies alphabetically and gives the page where the story related to its industry begins and the appropriate Yardsticks tables appear. You will also find in the alphabetical listing how that company ranks in terms of profitability, growth and stock market performance.

How they are calculated

Return on stockholders' equity Companies obtain their capital from two sources: stockholders and creditors. Return on stockholders' equity is the percentage return on the stockholders' portion of the capital. We express earnings per common share (primary basis) as a percentage of the stockholders' equity per share, assuming conversion of all convertible preferred, at the start of the year. The five-year return in our Yardsticks tables is the average of the returns calculated for the four years 1977 through 1980 and the 12-month period ending with the most recent quarterly report. (For companies whose fiscal years end in January, February or March, the years 1978-81 are used in place of 1977-80.)

Return on total capital This figure is the percentage return on a combination of stockholders' equity (both common and preferred) plus capital from long-term debt including current maturities, minority stockholders' equity in consolidated subsidiaries and accumulated deferred taxes and investment tax credits. The profit figure used in this computation is the sum of net income, minority interest in net income and estimated aftertax interest paid on long-term debt—in other words, income before charges (which means, primarily, interest payments on long-term debt) relating to the nonequity portion of the capital.

The return on total capital is a "basic" measure of an enterprise's profitability. For companies that derive all of their capital from common equity, the two profitability measures will be identical. But a company that employs debt wisely can thereby boost its return on stockholders' equity well above the return on total capital. The time periods employed for this calculation are the same as those for return on stockholders' equity.

Debt-to-equity ratio This ratio tells us to what extent management is using borrowed funds (leverage) in an attempt to increase profits. It is calculated as of the end of the last reported fiscal year by dividing long-term debt (including current maturities) by the sum of stockholders' equity, minority stockholders' interest and accumulated deferred taxes and investment tax credits. A high debt-to-equity ratio makes earnings more volatile and is usually considered prudent only in relatively stable industries.

Net profit margin This measure gives a view of profits different from either the return on stockholders' equity or the return on total capital. Calculated by dividing net profits for the latest 12 months by net sales, it reveals what percentage of each dollar of revenue is available for payment of dividends and reinvestment in the business.

Earnings-per-share growth To present a clear picture and even out short-run distortions caused by very poor or very good years, we reach back over ten years to measure five-year earnings-per-share growth. Using primary earnings per share, we take the average for the most recent five years (1977 through the latest 12 months) and compute the percentage change from the average for the preceding five years (1972 through 1976). We then express that change in terms of a five-year compound annual rate of growth, since the midpoints of the two periods are five years apart.

Sales growth As with earnings growth, we go back ten years to calculate the five-year rate of sales growth. We compare average sales for the company's most recent five years against the average for the preceding five years, and express the change in terms of a five-year compound annual growth rate.

Where to find the company

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Abbott Laboratories	162	179	169	212
ACF Industries	714	707	591	151
Acme-Cleveland	635	233	257	154
Aetna Life & Casualty	208	143	256	78
H F Ahmanson	782	623	675	83
Air Prods & Chems	287	234	594	110
Akzona	955	927	910	110
Albertson's	121	185	178	223
Alcan Aluminium	215	48	267	128
Alco Standard	242	277	186	242
Alexander & Alexander	12	157	372	88
Alexander & Baldwin	627	733	330	193
Alexander's	979	955	447	226
Alleghany	515	326	76	88
Allegheny Int'l	739	679	479	242
Allegheny Power	775	863	863	104
Allen Group	656	438	394	188
Allied Corp	714	716	584	90, 110
Allied Maintenance	592	774	229	154
Allied Products	977	956	525	242
Allied Stores	689	586	592	226
Allied Supermarkets	1015	992	973	223
Allied Van Lines	836	674	190	193
Allis-Chalmers	851	299	952	240
Alcoa	407	138	794	128
AM International	996	963	989	148
AMAX	626	619	620	128
Amdahl	198	949	407	144
Amerace	737	829	721	154
Amerada Hess	234	300	295	90
American Airlines	963	20	679	197
American Bakeries	943	414	706	207
American Brands	227	314	306	219, 240
Amer Broadcasting	163	152	486	236
American Can	813	535	741	220
American Cyanamid	704	794	699	110, 218
American Elec Power	811	900	901	104
American Express	220	254	581	78, 88
American Family	203	481	908	78
American General	298	173	196	78
American Greetings	556	516	262	231
Amer Hoist & Derrick	709	787	775	151
American Home Products	32	489	599	203, 214
Amer Hospital Supply	511	371	531	212, 222
American Intl Group	136	145	142	78
Amer Maize-Products	859	835	590	207
Amer Medical Intl	376	126	30	212
American Motors	999	963	882	190
American Natl Ins	658	240	524	78
Amer Natl Resources	624	813	758	99
American Petrofina	449	720	303	90
American Standard	104	90	252	183, 242
American Stores	259	189	552	223, 228
American Tel & Tel	670	640	686	140, 234
AmeriTrust	798	695	727	74
Ametek	200	443	239	154
AMF	787	891	543	231, 242
Amfac	705	760	343	242
AMP	77	172	277	140
Ampco-Pittsburgh	564	355	412	151
Amstar	738	846	621	207
Amsted Industries	236	235	496	151
Anchor Hocking	722	660	800	220
Anderson, Clayton	751	462	605	205
Anheuser-Busch Cos	361	337	278	210
Anixter Brothers	296	165	13	154
ARA Services	734	742	955	228
Arcata	641	114	203	238
Archer Daniels Midland	412	232	370	205
Arden Group	914	**	141	223
Arizona Public Service	632	801	676	104
Arkla	282	553	168	99
Armco	673	597	542	120
Armstrong Rubber	945	883	292	188
Armstrong World Inds	847	782	943	183
Arvin Industries	533	466	733	188
ASARCO	828	725	364	128
Ashland Oil	60	199	373	90
Associated Dry Goods	892	855	851	226
Athlone Industries	307	548	232	120
Atlanta Gas Light	761	672	704	99
Atlantic Richfield	225	146	377	90
Auto Data Processing	182	194	244	148
Avco	229	42	429	88, 242
Avery International	595	442	561	154
Avnet	265	425	107	140
Avon Products	42	574	915	218, 228
Avondale Mills	942	906	905	216
Baker International	106	93	95	151
Baldwin-United	83	188	65	88
Ball Corp	508	417	274	220
Bally Manufacturing	90	88	79	231
Baltimore Gas & Elec	770	812	710	104
BanCal Tri-State	769	163	275	74
BancOhio	878	808	753	74
Bangor Punta	255	**	160	242
Bank of New York	719	768	534	74
BankAmerica	391	424	826	74
Bankers Trust N Y	542	475	264	74
Barnes Group	357	285	411	188
Barnett Banks Fla	566	458	148	74
Bausch & Lomb	217	180	94	212
Baxter Travenol Labs	382	196	327	212
Beatrice Foods	408	564	919	207
Beckman Instruments	476	158	230	140
Becton, Dickinson	551	501	440	212
Belco Petroleum	134	144	92	90
Bell & Howell	960	929	695	148
Bemis	784	598	665	220
Bendix	229	209	506	188, 240
Beneficial Corp	882	914	817	88, 228
Bergen Brunswig	624	14	20	222
Berkshire Hathaway	725	54	34	78, 242
Best Products	73	33	587	228
Bethlehem Steel	968	950	957	120
Big Three Industries	272	152	276	154
Big V Supermarkets	113	76	44	223
Bird & Son	949	951	981	183
Black & Decker	453	421	867	203
Blount	256	343	91	185
Blue Bell	204	276	761	216
Boeing	80	24	172	195
Boise Cascade	693	65	659	136, 183
Borden	702	580	812	207
Borg-Warner	620	392	326	188, 240
Borman's	984	963	940	223
Boston Edison	798	804	750	104
Braniff Intl	1011	963	992	197

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

Company	Rank: Profitability	Rank: Growth	Rank: Stock market	Industry survey page
Briggs & Stratton	177	621	899	154
Bristol-Myers	169	435	356	214
Brockway Glass	880	853	925	220
Brooklyn Union Gas	587	651	532	99
Brown-Forman Dist	285	187	48	210
Brown Group	474	365	240	216, 228
Browning-Ferris Inds	418	317	81	154
Bruno's	**	38	**	223
Brunswick	842	851	596	231, 242
Bucyrus-Erie	447	440	931	151
Burlington Inds	903	842	837	216
Burlington Northern	902	253	176	200
Burroughs	861	805	983	144
Business Men's Assur	394	25	266	78
Butler Manufacturing	484	658	552	183
Cabot	151	37	69	110, 128
Caesars World	95	**	10	231
Cal-Maine Foods	994	963	966	222
Cameron Iron Works	205	210	58	151
Campbell Soup	522	636	861	207
Campbell Taggart	337	439	324	207
Cannon Mills	889	448	285	216
Capital Cities Commun	160	151	138	236, 238
Capital Holding	632	544	698	78
Carnation	399	531	861	207
Carolina Pwr & Lt	731	828	770	104
Carpenter Technology	273	214	157	120
Carson Pirie Scott	637	422	526	226
Carter Hawley Hale	755	811	829	226
Castle & Cooke	862	858	830	207
Caterpillar Tractor	240	469	730	151, 190
CBI Industries	229	521	383	154
CBS	205	544	755	236
Ceco	866	820	616	183
Celanese	666	526	535	110
Centex	152	113	237	185
Central & South West	551	741	743	104
Central Illinois Lt	830	873	795	104
Central Ill Pub Svc	764	855	856	104
Centl Louisiana Engy	**	21	**	99
Central Soya	853	864	805	205
Central Steel & Wire	479	396	131	120
Central Tel & Utils	363	626	433	234
Certain-teed	904	876	963	183
Cessna Aircraft	380	463	450	195
CFS Continental	887	878	489	222
Champion Intl	605	747	876	136, 183
Champion Spark Plug	710	881	946	188
Charter	11	49	136	90
Chase Manhattan	706	629	263	74
Chemical New York	641	590	508	74
Chesebrough-Pond's	194	427	388	218
Chic & North Western	37	124	5	200
Chic Pneumatic Tool	918	912	927	154
Chromalloy American	424	665	539	242
Chrysler	1009	963	996	190
Chubb	297	174	484	78
Cincinnati G & E	696	796	881	104
Cincinnati Milacron	201	32	49	154
Circle K	131	203	147	223
Citicorp	576	668	822	74
Cities Service	609	470	152	90
Citizens & Sthrn Ga	887	852	575	74
City Investing	447	220	300	242

Company	Rank: Profitability	Rank: Growth	Rank: Stock market	Industry survey page
Clark Equipment	646	721	917	151, 190
Cleveland Elec Illum	710	850	888	104
Clorox	320	683	717	203
Cluett, Peabody	864	215	417	216
CNA Financial	178	**	296	78
Coastal Corp	550	823	**	90
Coca-Cola	142	525	763	210
Colgate-Palmolive	586	779	951	203, 218
Collins & Aikman	808	762	807	216
Colonial Penn Group	257	644	909	78
Colt Industries	354	527	334	120
Columbia Gas System	646	746	624	99
Columbia Pictures	8	**	32	231
Combined Internatl	176	459	337	78
CKOMBUSTION Engnrng	263	231	188	154
Commercial Metals	679	830	166	128
Commonwealth Edison	844	885	890	104
Commonwealth Energy	643	717	684	104
Commonwealth Oil Rfg	997	992	998	90
Computer Sciences	31	27	268	148, 195
ConAgra	126	29	57	205
Cone Mills	428	226	541	216
Connecticut General	416	360	420	78
Consolidated Edison	766	606	367	104
Consolidated Foods	469	512	550	207
Consol Freightways	115	167	390	193
Consol Natural Gas	628	537	471	99
Consolidated Papers	190	168	291	136
Consol Petroleum	4	895	**	90
Consumers Power	758	777	819	104
Continental Airlines	988	963	696	197
Continental Corp	559	288	685	78
Continental Group	611	391	680	220
Continental Illinois	466	509	493	74
Continental Tel	575	737	618	234
Control Data	868	217	118	88, 144
Cook United	962	**	558	226
Cooper Industries	119	147	155	154
Adolph Coors	845	845	938	210
Copperweld	544	774	284	120
Corning Glass Works	533	429	850	140, 240
CPC International	287	457	424	207
Crane	489	730	460	120, 240
Crocker National	477	407	564	74
Cross & Trecker	88	45	**	154
Crown Central Petroleum	212	148	378	90
Crown Cork & Seal	497	414	538	220
Crown Zellerbach	813	834	920	136
Crum & Forster	127	101	208	78
CSX	883	673	**	200
Culbro	566	728	760	219
Cullum Companies	209	80	55	223
Cummins Engine	611	338	884	188
Curtice-Burns	322	476	191	207
Cyclops	807	348	313	120
Dan River	871	137	357	216
Dana	388	512	747	188
Dart & Kraft	481	511	**	207
Data General	185	98	559	144
Dayco	700	761	670	242
Dayton Power & Light	820	889	864	104
Dayton-Hudson	138	135	439	226
Dean Foods	150	99	134	207
Dean Witter Reynolds	458	567	59	71

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Deere	519	683	578	190
DEKALB AgResearch	505	576	836	205
Delmarva Power & Lt	803	861	740	104
Delta Air Lines	451	472	491	197
Deluxe Check Printers	68	264	162	238
Dennison Mfg	441	464	279	154
Denny's	252	266	601	228
DeSoto	695	307	688	183
Detroit Edison	843	840	813	104
DETROITBANK	684	641	644	74
Dexter	284	250	402	110
Diamond Intl	838	879	663	220
Diamond Shamrock	347	757	814	90, 110
Dibrell Brothers	696	585	331	222
Di Giorgio	845	208	494	207, 222
Digital Equipment	343	62	321	144
Dillard Dept Stores	840	764	403	226
Dillingham	**	95	**	240
Dillon Companies	128	297	379	223
Walt Disney	717	389	568	231
Donaldson, Lufkin	906	64	103	71
R R Donnelley & Sons	511	418	323	238
Dorchester Gas	51	84	87	90
Dorsey	727	310	413	220
Dover	79	170	105	183
Dow Chemical	279	660	950	110
Dow Jones	35	328	121	238
Dravo	774	749	588	185
Dresser Industries	279	292	371	151
Duke Power	655	654	649	104
Dun & Bradstreet	65	366	202	238
E I du Pont	428	474	791	110
Duquesne Light	872	920	897	104
Dynalectron	854	520	197	185
E-Systems	318	319	179	195
Eagle-Picher Inds	548	681	866	154
Easco	608	820	631	188
Eastern Air Lines	963	**	834	197
Eastern Gas & Fuel	829	882	790	90
Eastman Kodak	241	598	840	231
Eaton	530	654	651	188
Echlin Manufacturing	480	662	773	188
Jack Eckerd	292	305	520	228
Economics Laboratory	382	443	889	203
Edison Bros Stores	139	238	464	228
EG&G	76	120	43	140
El Paso	934	954	335	99
Electronic Data Syst	137	577	135	148
Emerson Electric	183	379	480	157
Emery Air Freight	25	487	896	197
Emhart	408	476	618	154
Empire	462	273	88	90
Engelhard	260	250	**	128
ENSERCH	355	614	270	99
Entex	64	105	315	99
Envirotech	1000	963	971	154
Equifax	271	772	828	238
Equitable of Iowa	816	560	589	78
Esmark	193	335	258	205, 240
Ethyl	423	654	615	110
Evans Products	404	36	361	183
Ex-Cell-O	564	342	511	154
Exxon	270	514	557	90
Fairchild Industries	59	15	77	195

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Farm House Foods	249	319	28	222
Farmers Group	232	237	422	78
Federal Co	676	778	359	207
Federal Express	13	11	11	197
Federal-Mogul	287	202	333	188
Fedl Natl Mortgage	912	932	956	88
Federal Paper Board	720	831	446	136
Federated Dept Stores	541	618	885	226
Ferro	563	698	483	110
Fidelcor	952	947	672	74
Fieldcrest Mills	527	260	487	216
Figgie International	599	430	353	242
Firestone	980	962	965	188
First Bank System	514	554	774	74
First Boston	778	870	332	71
First Charter Finl	865	780	844	83
First Chicago	876	860	752	74
First City Bancorp	375	346	238	74
First Executive	20	10	1	78
First Intl Bshs	317	374	298	74
First Interstate	439	291	233	74
First Natl Boston	681	555	392	74
First Natl Supermkts	585	745	937	223
First Pennsylvania	998	963	995	74
First Union Bancorp	643	598	537	74
First Wisconsin	771	518	476	74
Fischbach	559	700	564	185
Fisher Foods	944	948	669	223
Fleetwood Enterprises	793	790	903	231
Fleming Companies	359	550	366	222
Flickinger	518	456	352	222
Florida Power	672	740	667	104
Florida Power & Lt	706	708	583	104
Flowers Industries	262	336	163	207
Fluor	123	127	175	185
FMC	639	538	593	240
Food Town Stores	27	51	51	223
Foodarama Supermkts	946	**	918	223
Ford Motor	947	937	982	190
Foremost-McKesson	373	563	164	222
Fort Howard Paper	112	227	254	136
L B Foster	2	**	**	151
Foster Wheeler	120	111	115	154
Foxboro	592	295	342	154
Frederick & Herrud	662	798	519	205
Freeport McMoran	141	256	90	110
Frontier Airlines	122	181	68	197
Fruehauf	645	610	873	190
Fuqua Industries	**	110	**	242
GAF	1004	963	674	240
Gannett	188	283	400	238
Gas Service	840	810	871	99
Gates Learjet	258	611	26	195
GATX	801	814	720	151
GEICO	7	**	93	78
Gelco	71	47	216	154
General Cinema	212	270	122	210, 231
General Dynamics	551	432	184	195
General Electric	221	480	664	157, 203, 240
General Foods	384	510	628	207
General Host	983	963	368	205
General Instrument	304	44	23	140
General Mills	302	362	642	207
General Motors	749	887	970	190

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

Company	Rank Profitability	Growth	Stock market	Industry survey page
General Public Utils	932	933	984	104
General Re	152	116	297	78
General Refractories	992	963	913	154
General Signal	434	255	463	154
General Tel & Elec	570	696	630	140, 234
Genl Tire & Rubber	824	784	606	188, 240
Genesco	1002	992	397	216, 228
Genuine Parts	197	359	466	188
GEO International	17	57	**	151
Georgia-Pacific	473	632	961	136, 183
Geosource	103	91	71	151
Gerber Products	466	552	522	207
Getty Oil	331	178	495	90
Giant Food	525	503	404	223
Gibraltar Financial	931	921	777	83
Gifford-Hill	492	367	248	183
Gillette	418	794	556	218
Gino's	898	925	340	228
Girard	596	445	461	74
Godfrey	615	583	406	223
Goldblatt Brothers	1012	963	978	226
Golden West Finl	215	356	389	83
B F Goodrich	909	630	870	188
Goodyear	875	792	848	188
Gordon Jewelry	438	265	243	228
Gould	617	739	762	140
W R Grace	499	677	408	110, 242
W W Grainger	227	258	498	157
Graniteville	927	928	898	216
Great Atl & Pac Tea	995	992	988	223
Gt Northern Nekoosa	543	514	628	136
Gt Western Financial	756	572	677	83
Greyhound	611	713	609	193, 205
Grumman	824	77	443	195
Gulf & Western Inds	417	551	586	242
Gulf Oil	636	634	548	90
Gulf Resources & Chem	987	963	694	128
Gulf States Utils	722	825	783	104
Gulf United	461	473	293	78
Halliburton	145	183	348	185
Hammermill Paper	766	638	616	136
Handy & Harman	178	334	40	128
Hanna Mining	780	758	921	128
Hannaford Bros	378	517	301	223
Hanover Insurance	171	107	123	78
Harcourt Brace Jovan	574	689	701	238
Harnischfeger	900	915	886	151
Harris Bankcorp	880	868	874	74
Harris Corp	196	60	125	140, 154
Harsco	402	500	396	154
Hart Schaffner & Marx	858	594	314	216
Hartfield-Zodys	673	**	286	226
Harvey Hubbell	391	543	304	157
Hawaiian Electric	826	759	626	104
Heck's	313	257	260	226
G Heileman Brewing	39	68	33	210
H J Heinz	410	247	350	207
Walter E Heller Intl	630	710	718	88
Hercules	679	705	853	110
Hershey Foods	323	420	318	207
Heublein	500	711	811	210
Hewlett-Packard	269	162	273	140, 144
Hilton Hotels	107	73	89	231
Edward Hines Lumber	949	923	708	183

Company	Rank Profitability	Growth	Stock market	Industry survey page
Holiday Inns	669	466	185	231
Holly Corp	166	169	173	90
Honeywell	517	244	358	140, 144
Hoover	869	818	806	203
Hoover Universal	92	434	505	188
George A Hormel	494	303	481	205
Hospital Corp of Am	290	149	37	212
Host International	340	298	289	228
Household Intl	687	773	818	88, 226, 240
Houston Industries	590	691	707	104
Houston Natural Gas	86	159	527	99
Howell	34	279	816	90
Hughes Tool	225	119	111	151
Humana	85	34	6	212
E F Hutton Group	75	115	24	71
Hyster	244	140	497	151, 190
IC Industries	834	562	434	200, 242
Ideal Basic Inds	431	497	737	183
Idle Wild Foods	249	292	104	205
Illinois Power	699	840	852	104
Illinois Tool Works	329	398	636	154
Imperial Corp of Am	718	559	580	83
INA	238	130	380	78
Inco	935	942	974	128
Indianapolis Pwr & Lt	581	769	712	104
Industrial National	487	484	322	74
Ingersoll-Rand	529	717	878	154
Inland Steel	901	898	969	120
Insilco	418	529	387	203
Intel	81	86	336	140
Interco	544	652	614	216
Interlake	899	901	702	120
IBM	155	499	875	144
Intl Flavors & Frag	159	407	722	218
Intl Harvester	961	941	994	190
Intl Minerals & Chem	355	662	569	110
Intl Multifoods	587	614	579	207
International Paper	572	659	944	136
Intl Tel & Tel	811	797	765	242
InterNorth	320	461	536	99
Interpace	742	572	768	183
Interpublic Group	164	275	288	238
Interstate Bakeries	965	963	347	207
Irving Bank	569	447	255	74
IU International	62	134	**	242
James River Corp Va	61	58	97	136
Jefferson-Pilot	620	521	793	78
Jewel Companies	632	581	432	223
Jim Walter	703	809	967	183
Johnson & Johnson	273	399	454	212
Johnson Controls	308	161	280	157, 188
Jonathan Logan	993	963	858	216
Earle M Jorgensen	331	404	153	120
Joy Manufacturing	500	427	577	151
K mart	457	507	975	226
Kaiser Alum & Chem	368	139	803	128
Kaiser Steel	747	677	442	120
Kane-Miller	958	939	529	207
Kaneb Services	143	437	329	185
Kansas City Pwr & Lt	852	871	791	104
Kansas Power & Light	675	783	691	104
Kaufman & Broad	798	39	576	185
Kay	133	17	70	205
KDT Industries	650	816	980	226

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Kellogg	73	454	776	207
Kellwood	890	864	933	216
Kelly Services	52	112	41	148
Kemper	149	102	204	78
Kentucky Utilities	908	919	879	104
Kerr Glass Mfg	848	617	839	220
Kerr-McGee	607	644	598	90
Keystone Consolidated	982	960	766	120
Keystone Foods	116	191	78	205
Kidde	507	412	344	242
Kimberly-Clark	295	300	435	136, 218
King Kullen Grocery	904	623	317	223
Knight-Ridder News	395	285	311	238
Knudsen	589	339	360	207
Koppers	685	752	916	240
Kroger	503	235	223	223
Laclede Gas	665	682	683	99
Lane Bryant	756	747	491	228
Lear Siegler	98	94	228	188, 242
Leaseway Transportation	154	409	457	193
Levi Strauss	40	79	226	216
Levitz Furniture	568	216	451	228
Libbey-Owens-Ford	857	893	895	188
Liberty Natl Ins Hld	685	608	632	78
Eli Lilly	183	549	604	214
Lincoln National	671	414	554	78
Liquid Air	591	723	953	110
Litton Industries	440	5	56	242
Lockheed	249	693	64	195
Loews	118	85	159	78, 219
Lone Star Industries	537	384	533	183
Long Island Lighting	646	836	787	104
Longs Drug Stores	210	400	756	228
Longview Fibre	744	875	414	136
Louisiana Land	92	587	700	90
Louisiana-Pacific	526	601	597	136, 183
Louisville Gas & Elec	805	862	891	104
M Lowenstein	971	744	225	216
Lowe's Companies	444	694	945	222
LTV	**	**	**	120, 242
Lubrizol	86	363	512	110
Lucky Stores	124	524	681	223
Lukens Steel	917	869	657	120
M/A-Com	276	132	8	140
Macmillan	976	957	319	238
R H Macy	366	200	183	226
Magic Chef	727	243	640	203
Mallinckrodt	324	349	438	110, 212
Malone & Hyde	344	491	654	222
Manhattan Industries	928	190	247	216
Manufacturers Hanover	571	631	731	74
Manufacturers National	784	762	784	74
Manville	838	701	968	183
MAPCO	102	432	892	90
Marathon Oil	303	378	128	90
Marine Midland Banks	915	838	171	74
Marion	45	41	488	90
Marriott	369	149	154	231
Marsh & McLennan Cos	41	332	509	88
Marsh Supermarkets	365	263	215	223
Marshall Field	916	903	922	226
Martin Marietta	324	247	231	195, 240
Maryland Cup	532	306	235	220
Maryland National	651	647	563	74

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Masco	132	252	418	183
Masonite	546	538	427	183
Massey-Ferguson	1010	963	999	190
Mattel	661	**	365	231
May Dept Stores	611	589	843	226
Maytag	96	724	824	203
MCA	312	393	507	231
McCormick	527	527	633	207
McDermott	789	892	398	185
McDonald's	129	175	521	228
McDonnell Douglas	690	667	452	195
McGraw-Edison	658	575	647	157
McGraw-Hill	192	222	110	238
McLean Trucking	911	934	991	193
McLouth Steel	1003	963	990	120
Mead	276	300	611	136
Mellon National	750	605	469	74
Melville	69	197	423	216, 228
Memorex	877	**	948	144
Mercantile Bancorp	539	675	737	74
Mercantile Stores	536	546	530	226
Mercantile Texas	237	269	139	74
Merck	114	501	551	214
Meredith	385	69	101	238
Merrill Lynch	459	503	444	71
Metromedia	28	55	29	236
Fred Meyer	425	350	130	223
MGM Grand Hotels	146	206	**	231
Michigan National	474	541	567	74
Middle South Utils	724	831	801	104
Midland-Ross	488	374	510	154
Milton Bradley	333	222	415	231
Minnesota Gas	493	690	754	99
Minn Mining & Mfg	170	406	744	240
Mission Insurance	30	31	52	78
Missouri Pacific	116	316	219	200
Mitchell Energy & Dev	15	53	61	90
Mobil	300	325	362	90
Modern Merchandising	603	697	894	228
Mohasco	967	936	883	203
Monfort of Colorado	985	963	517	205
Monsanto	823	880	860	110
Montana Power	801	867	682	104
Moore Corp	301	588	779	148
Moore McCormack Res	489	423	459	193
J P Morgan	522	584	635	74
Morrison-Knudsen	432	198	80	185
Morse Shoe	386	176	346	228
Morton-Norwich	485	207	316	110
Motorola	436	361	574	140
Munford	974	958	515	223
G C Murphy	938	911	853	226
Murphy Oil	246	245	53	90
Nabisco Brands	364	491	**	207
Nalco Chemical	90	353	354	110
Nash Finch	495	668	608	222
Nashua	391	268	659	148
National Can	687	637	345	220
National City	561	686	855	74
Natl Convenience Strs	89	109	18	223
National Distillers	731	731	692	210, 240
National Fuel Gas	792	764	613	90
National Gypsum	617	383	562	183
Natl Medical Entrprs	285	107	9	212

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

	Rank			
Company	**Profitability**	**Growth**	**Stock market**	**Industry survey page**
Natl Semiconductor	248	220	612	140
National Svc Inds	278	425	281	242
National-Standard	894	854	771	120
National Steel	926	897	954	120
National Tea	713	**	242	223
Nationwide	837	482	140	78
Natomas	100	141	108	90, 193
NBD Bancorp	726	643	703	74
NCNB	561	506	477	74
NCR	293	52	609	144
New England Electric	646	717	566	104
N Y State Elec & Gas	731	801	826	104
New York Times	446	464	220	238
Newmont Mining	556	704	308	128
Niagara Frontier Services	174	318	436	223
Niagara Mohawk Power	778	831	725	104
NICOR	459	638	625	99
A C Nielsen	238	358	227	238
NIKE	1	6	**	216
NL Industries	426	478	67	240
NLT	794	644	650	78
Nordstrom	313	242	205	228
Norfolk & Western Ry	622	304	320	200
Norris Industries	406	601	301	183
North American Coal	616	601	516	90
North Amer Philips	531	479	656	140
Northeast Utilities	866	905	739	104
No Indiana Pub Svc	874	918	939	99, 104
No States Power	676	789	732	104
Northern Trust	808	751	735	74
Northrop	148	121	197	195
Northwest Airlines	925	846	655	197
Northwest Bancorp	502	496	749	74
Northwest Energy	349	452	200	99
Northwest Industries	186	239	109	242
Northwestern Steel	730	848	799	120
Norton	396	332	214	154
Norton Simon	605	666	746	207
Nucor	36	71	27	120
NVF	573	620	180	120, 128
Occidental Petroleum	48	273	659	90
Ogden	379	493	282	242
Ohio Casualty	84	136	271	78
Ohio Edison	848	910	930	104
Oklahoma Gas & Elec	817	896	868	104
Old Republic Intl	99	96	261	78
Olin	893	354	603	240
Olympia Brewing	930	827	993	210
Oneok	207	367	512	99
Outboard Marine	921	922	924	231
Owens-Corning Fbrgls	456	382	900	183
Owens-Illinois	776	606	668	220
Pabst Brewing	959	943	962	210
PACCAR	144	182	382	190
Pac Gamble Robinson	797	839	714	222
Pacific Gas & Elec	781	842	673	104
Pacific Lighting	623	558	421	99
Pacific Pwr & Lt	742	844	832	104
Pacific Resources	432	446	99	90
Paine Webber	870	703	161	71
Palm Beach	56	59	100	216
Pan Am World Airways	275	**	935	197
Panhandle Eastern	253	440	416	99
Pantry Pride	1013	963	942	223

	Rank			
Company	**Profitability**	**Growth**	**Stock market**	**Industry survey page**
Parker Drilling	78	89	72	185
Parker-Hannifin	341	459	474	154
Parker Pen	109	133	165	148
Parsons	50	118	35	185
Pay Less Drug NW	235	272	181	228
Pay'n Save	444	493	759	228
Peabody Intl	**	963	**	154
Peavey	714	786	437	205
Penn Central	691	92	112	242
Penn-Dixie Inds	1008	963	986	183
Penn Traffic	554	557	789	223
PennCorp Financial	855	289	211	78
J C Penney	754	728	958	226
Penn Power & Light	729	837	809	104
Pennwalt	682	601	788	110
Pennzoil	67	310	195	90
Peoples Drug Stores	477	131	246	228
Peoples Energy	548	713	645	99
PepsiCo	165	329	445	210
Perini	883	641	82	185
Perkin-Elmer	328	193	194	140
Petrie Stores	70	344	887	228
Petrolane	111	225	132	90
Pettibone	923	908	745	151
Pfizer	404	622	337	214
Phelps Dodge	929	917	798	128
Phibro	21	100	**	222
Phila Electric	848	872	820	104
Philadelphia Natl	760	756	726	74
Philip Morris	135	211	304	219
Phillips Petroleum	166	184	547	90
Phillips-Van Heusen	941	635	339	216
Piedmont Aviation	100	212	16	197
Pillsbury	396	369	734	207
Pioneer	33	128	117	99
Pioneer Hi-Bred Intl	108	222	205	205
Pitney Bowes	233	70	386	148
Pittsburgh National	577	579	462	74
Pittston	897	940	872	90, 228
Playboy Enterprises	895	722	573	238
Pneumo	495	117	192	195, 223
Polaroid	886	670	960	231
H K Porter	772	322	718	154
Portland Genl Elec	896	926	912	104
Potlatch	603	650	766	136
Potomac Elec Power	772	793	607	104
PPG Industries	580	564	637	183, 240
Procter & Gamble	267	498	797	203, 218
Provident Life & Acc	399	387	375	78
Public Service Colo	859	907	833	104
Public Service Indiana	581	753	904	104
Pub Svc Elec & Gas	791	801	764	104
Pueblo International	806	**	470	223
Purex Industries	538	706	523	203
Purolator	465	780	158	148, 188
Quaker Oats	387	324	465	207
Quaker State Oil	640	849	837	90
Questor	978	953	503	188
Rainier Bancorp	533	402	425	74
Ralston Purina	451	571	907	207
Ramada Inns	957	931	472	231
Rath Packing	1014	992	987	205
Raychem	367	82	129	157
Raymond Intl	466	395	641	185

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Raytheon	124	142	133	140, 195, 242
RCA	554	680	902	88, 236, 240
Reading & Bates	293	313	47	185
Reeves Brothers	489	280	187	216
Reichhold Chemicals	919	916	934	110
Reliance Group	6	**	46	78
Republic Airlines	972	959	545	197
Republic Finl Svcs	244	264	113	78
Republic New York	178	294	63	74
Republic of Texas	381	364	236	74
Republic Steel	920	799	815	120
Research-Cottrell	832	228	880	154
Resorts Intl	16	8	38	231
Revco D S	189	177	449	228
Revere Copper	708	**	374	128
Revlon	214	326	929	218
Rexnord	524	626	757	154
R J Reynolds Inds	222	581	409	219
Reynolds Metals	668	258	932	128
Richardson-Vicks	**	376	**	214
Riegel Textile	631	567	638	216
Rite Aid	181	155	151	228
RLC	63	16	217	193
Roadway Express	168	405	846	193
Robertshaw Controls	856	701	780	157
H H Robertson	427	321	156	183
A H Robins	662	816	736	214
Rochester Gas & Elec	808	799	785	104
Rockwell Intl	421	487	269	195, 242
Rohm & Haas	700	431	485	110
Rohr Industries	336	**	271	195
Rollins	191	449	426	240
Roper Corp	795	380	528	203
Rose's Stores	746	213	440	226
Royal Crown Cos	736	899	716	210
Ruddick	521	35	127	223
Ryan Homes	398	633	687	185
Ryder System	161	43	150	193
Safeco	339	160	518	78
Safeway Stores	651	805	949	223
Saga	666	727	368	228
St Paul Companies	261	245	405	78
St Regis Paper	710	771	804	136
Sambo's Restaurants	1007	963	997	228
San Diego Gas & Elec	803	859	715	104
Santa Fe Industries	777	413	340	200
Santa Fe Intl	218	154	62	185
Savannah Foods	660	711	201	205
Savin	10	4	648	148
Saxon Industries	956	884	639	220
Schering-Plough	175	561	947	214
Jos Schlitz Brewing	986	963	928	210
Schlumberger	22	46	124	140
SCM	783	347	600	242
SCOA Industries	52	18	19	216, 226
Scot Lad Foods	975	963	823	222
Scott & Fetzer	298	623	570	242
Scott Paper	788	592	782	136, 203
Scovill	481	97	825	183, 203
Seaboard Allied Milling	503	192	102	205
Seafirst	462	436	448	74
Seagram	597	296	170	210
G D Searle	664	904	145	214
Sears Roebuck	833	807	964	88, 226
Seatrain Lines	1006	**	1000	193
Seaway Food Town	401	341	209	223
Security Pacific	430	271	299	74
SEDCO	472	503	86	185
Service Merchandise	72	83	381	228
Servicemaster Inds	23	106	66	212
Shaklee	18	74	500	212
Shell Oil	334	312	210	90
Sheller-Globe	913	938	849	188
Sherwin-Williams	948	930	653	183
Shopwell	953	**	250	223
Sigmor	157	267	60	90
Signal Companies	469	205	116	190, 242
Signode	546	613	748	154
Singer	924	**	821	203, 242
Skyline	821	894	847	231
A O Smith	885	195	796	188
Smith International	180	164	177	151
SmithKline	19	87	85	214
Snap-On Tools	105	217	571	188
Sonoco Products	350	315	189	220
So Carolina E & G	748	826	802	104
Southeast Banking	656	611	307	74
Southern Calif Edison	751	788	468	104
Southern Company	819	877	831	104
So Natural Resources	305	410	224	99
So New England Tel	721	670	555	234
Southern Pacific	922	683	671	200
Southern Railway	583	386	385	200
Southern Union	254	541	540	99
Southland	435	339	489	223
Southwest Forest Inds	734	370	287	136, 183
Southwestern Pub Svc	324	692	778	104
Sperry	602	521	869	144, 240
Springs Mills	933	675	265	216
Square D	92	390	689	157
Squibb	599	766	643	214
A E Staley Mfg	454	596	430	205
Stanadyne	377	564	294	154
Std Comml Tobacco	140	155	73	222
Standard Oil Calif	264	308	222	90
Standard Oil Indiana	266	357	310	90
Standard Oil Ohio	14	23	193	90
Stanley Works	471	401	363	203
Stauffer Chemical	350	534	808	110
Sterling Drug	462	738	478	214
J P Stevens	951	909	742	216
Stewart-Warner	682	731	697	154
Stokely-Van Camp	907	791	349	207
Stone Container	449	616	282	220
Stop & Shop	740	734	410	223
Storage Technology	49	40	4	144
Strawbridge & Clothier	818	592	456	226
Subaru of America	3	9	3	190
Suburban Propane Gas	442	507	399	90
Sun Chemical	130	28	146	110
Sun Company	357	470	325	90
Sunbeam	698	653	585	203
Sundstrand	171	170	167	154, 195
Super Food Services	629	595	751	222
Super Valu Stores	57	123	106	222
Superior Oil	26	72	84	90
Supermarkets General	224	104	143	223
Swift Independent	**	**	**	205

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

Rank				
Company	**Profitability**	**Growth**	**Stock market**	**Industry survey page**
Sybron	813	819	712	242
Sysco	345	281	31	222
Talley Industries	989	963	977	203
Tandy	9	30	17	228, 231
TECO Energy	513	657	652	104
Tecumseh Products	309	483	504	154
Tektronix	247	125	384	140
Telecom	973	952	959	193
Teledyne	24	26	45	140, 242
Tenneco	414	686	786	90, 99, 242
Tesoro Petroleum	329	913	595	90
Texaco	486	664	544	90
Texas Commerce Bshs	268	282	174	74
Texas Eastern	315	452	502	99
Texas Gas Transmn	370	493	419	99
Texas Instruments	335	384	865	140
Texas Oil & Gas	38	63	21	90
Texas Utilities	598	736	659	104
Textron	654	776	723	242
Thiokol	362	371	98	110, 195
Thriftimart	583	2	42	223
Thrifty Corp	609	468	455	228
Tiger International	740	713	646	151, 197
Time Inc	443	351	221	238
Times Mirror	195	229	211	238
Timken	578	578	546	154
Todd Shipyards	46	**	14	195
Toledo Edison	786	902	914	104
Toro	873	864	623	203
Tosco	5	19	50	90
Toys "R" Us	65	81	39	228
Trane	651	377	549	183
Trans World	910	1	428	197
Transamerica	327	166	328	88, 242
Transco Companies	315	345	199	99
Transway Intl	413	647	678	193
Travelers	403	201	475	78
Trinity Industries	54	129	120	154
TRW	201	397	393	242
Turner Construction	281	569	144	185
Tyler	157	331	309	154
Tyson Foods	483	490	54	205
U S Air	82	12	182	197
UAL	891	380	877	197
UGI	691	590	431	99
UMC Industries	745	822	857	154
Union Camp	353	533	893	136
Union Carbide	617	742	842	110, 240
Union Electric	759	824	859	104
Union Oil California	310	449	149	90
Union Pacific	599	261	234	90, 200
Uniroyal	990	963	841	188
United Brands	970	7	690	207
United Energy Resources	55	50	114	99
United Merch & Mfrs	1005	963	985	216
U S Bancorp	350	373	391	74
United States Gypsum	390	204	499	183
U S Home	198	67	245	185
U S Industries	969	945	602	242
United States Shoe	283	290	253	216
United States Steel	937	924	926	120
United Technologies	345	410	627	195, 242
United Telecom	310	609	560	234
Univar	348	402	119	222

Rank				
Company	**Profitability**	**Growth**	**Stock market**	**Industry survey page**
Universal Foods	411	519	634	207
Universal Leaf	338	323	376	222
Upjohn	187	330	453	214
USF&G	110	103	482	78
USLIFE	437	556	467	78
Utah Power & Light	790	855	769	104
Valero Energy	389	**	**	99
Valley National	342	261	290	74
Varian Associates	936	735	218	140
VF	290	455	259	216
Va Electric & Power	863	887	781	104
Vornado	991	963	211	226
Vulcan Materials	156	277	241	240
Wachovia	592	569	473	74
Wal-Mart Stores	44	56	36	226
Waldbaum	578	388	251	223
Walgreen	371	217	126	228
Wang Laboratories	47	22	2	144
Warnaco	508	3	83	216
Warner Communications	58	66	15	231
Warner-Lambert	753	889	923	214
Washington Gas Light	879	785	401	99
Washington National	694	538	395	78
Washington Post	97	122	137	238
Waste Management	147	78	12	154
Del E Webb	835	536	810	185, 231
Weis Markets	211	308	207	223
Wells Fargo	510	393	582	74
West Point-Pepperell	764	546	666	216
Western Air Lines	938	946	935	197
Western Co No Amer	43	61	7	151
Western Union	954	874	351	234
Westinghouse Electric	520	249	458	157, 240
Westmoreland Coal	981	961	976	90
Westvaco	515	484	572	136
Wetterau	539	750	845	222
Weyerhaeuser	506	726	941	136, 183
Wheelabrator-Frye	372	229	312	154
Wheeling-Pitts Steel	966	935	355	120
Whirlpool	305	486	772	203
White Consolidated	422	688	658	203, 242
Whittaker	243	13	25	242
Wickes Companies	830	351	835	228
WICOR	761	755	729	99
Willamette Inds	414	628	728	136, 183
Williams Companies	822	886	622	110
Wilson Foods	1001	992	**	205
Winn-Dixie Stores	219	529	711	223
Wisconsin Elec Power	766	766	724	104
Wisconsin Pwr & Lt	678	754	693	104
Wisconsin Public Svc	637	699	705	104
Witco Chemical	374	449	501	110
F W Woolworth	763	649	906	226
Worthington Inds	29	75	75	120
Wm Wrigley Jr	455	708	709	207
Wyman-Gordon	223	241	96	195
Xerox	318	532	911	148
Yellow Freight System	497	814	979	193
Zale	556	419	512	228
Zapata	827	770	22	242
Zayre	796	287	74	226
Zenith Radio	940	944	972	203
Zurn Industries	360	186	249	154

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

The jury is still out on the wisdom of conglomerating Wall Street brokerage houses. But the rush to buy up a number of them has created a lot of happy millionaires.

Brokerage

By Richard Stern

FORGET STOCKS. A pox on bonds. The hottest buys on Wall Street these days are Wall Street's own. Sears, Roebuck pays $575 million for Dean Witter Reynolds. Prudential shells out $384 million for The Bache Group. American Express pays $950 million in stock, or about 3 times book value, for Shearson Loeb Rhoades. BankAmerica Corp. forks over $53 million for Charles Schwab Corp., the largest discount broker of stock and bond transactions. Phibro buys Salomon Brothers, big and prestigious. Bechtel Corp. acquires about 60% of Dillon, Read, small and prestigious.

Altogether, at least $2.2 billion has changed hands so far since the great buy-up-the-brokers stampede went into full swing in 1981. What's it all about? Is the rush to put together financial supermarkets just another mega-fad?

The fact is, some of those who think Wall Street is paved with gold may find they have acquired more trouble and less earnings than they bargained for.

For one thing, says A. Michael Lipper of Lipper Analytical Distributors, which follows the publicly traded brokerage houses, a lot of these buyouts may have come at a cyclical earnings peak. Besides, how do you put a value on a brokerage firm? Paying 2 or 3 times book value for a service company, which is only worth something if its personnel stay on, may be more than a little dangerous, says another industry analyst, Perrin H. Long Jr. Merrill Lynch learned that the hard way a couple of years back when it acquired White Weld, whose sales force deserted in droves.

Similarly, The Bache Group, which has never been among the leaders in institutional trading, back in 1977 acquired Shields Model Roland Holding Corp., which was known for its expertise in trading for the big banks, insurance companies and mutual funds. The Shields traders, too, found the Bache atmosphere wrong for them and left—along with Bache's hopes to become big with the institutions.

There's a lesson here for the Searses and Prudentials of the world. Sanford Weill, chairman of Shearson/American Express, is very much aware of it. There's a special "entrepreneurial spirit" in the brokerage business, Weill says; it may take some doing by giant conglomerates, which are run by committee, to adjust to Wall Street's ways.

And Wall Street's salaries. In some of the newly acquired firms, big sales producers can earn more than the chairman of the board. In fact, in no industry outside of sports and entertainment can so many earn so much so fast. Last year, for instance, a score of salesmen, investment bankers and traders drew over $1 million in compensation, while Roger Birk, chairman of the largest brokerage firm in the country, earned only $674,000 in 1980. Can executive egos in big corporations deal with some of the help's making more than they do?

Brokerage

Yardsticks of management performance

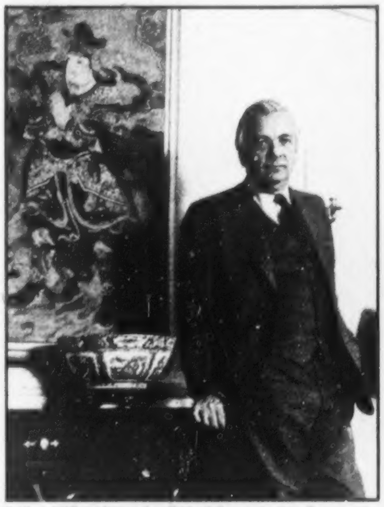
	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
E F Hutton Group	27.1%	1	28.1%	0.6	21.2%	1	22.9%	5.8%	31.0%	3	26.2%	2
Dean Witter Reynolds	16.0	2	25.4	0.1	25.6	2	16.5	5.7	27.8	5	10.7	4
Merrill Lynch	16.0	3	19.7	0.4	16.3	3	13.6	5.3	21.5	6	11.9	3
First Boston	11.6	4	14.1	0.1	14.6	4	11.8	3.6	32.0	2	0.3	6
Paine Webber	9.7	5	9.0	1.0	7.5	5	8.7	1.2	30.6	4	7.0	5
Donaldson, Lufkin	8.3	6	15.5	0.6	13.6	6	7.6	2.1	39.0	1	31.7	1
Industry medians	**13.8**		**17.6**	**0.5**	**15.5**		**12.7**	**4.5**	**30.8**		**11.3**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

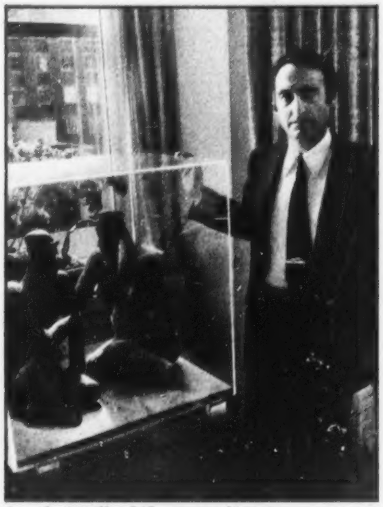
Note: Explanation of Yardsticks calculations on page 51.

But while the jury may be out on who wins and who loses among the giants moving into the brokerage game, there are some big winners already—those happy sellers. The partners at Salomon Brothers, for example, got not only all their capital in cash but also an equal amount of Phibro Corp.'s convertible debentures. The figures haven't been released, but industry estimates are that Salomon Brothers Chairman John Gutfreund now is worth something like $25 million in cash and securities from the Phibro deal. And many of the firm's 61 other general partners walked away with profits of $5 million each.

Over at Shearson, Weill is no piker either. He started 21 years ago with a $30,000 investment in a little firm called Carter, Berlind, Potoma & Weill, Inc. A lot of acquisitions and mergers later, he owns American Express stock worth $27 million, which pays about $1.3 million in dividends a year. Then there's Arthur Levitt Jr., a former Shearson partner. Levitt, who had enough faith in Weill not to sell his Shearson stock when he became chairman of the American Stock Exchange in 1977, now owns about $14 million worth of American Express stock paying $657,000 a year.

In fact, many Wall Street veterans can hardly believe all this is happening. After all, back in the 1970s a lot of them feared they wouldn't be able to raise the capital to keep their firms going. As recently as 1974, earnings of the publicly traded brokerage houses averaged only 0.4% on revenues. Now this jackpot.


John Whitehead of Goldman, Sachs
Do banks have the right stuff?


Sandy Weill of Shearson/Amex
That special entrepreneurial spirit.

To people like Dwight Faulkner, it's a happy ending. Faulkner once feared that his small but highly regarded institutional research firm, Faulkner, Dawkins & Sullivan, could not find the capital to keep up. Back in 1977, with his earnings clobbered by the end of fixed commissions, Faulkner decided to sell out to a larger firm for stock then worth about $1.8 million. The acquiring firm happened to be—you guessed it—Shearson. A happy Faulkner, now a vice chairman of Shearson/Amex, is currently worth about $24 million in American Express stock.

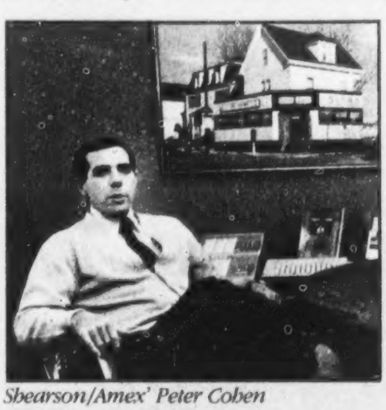
With financial security for life, will these new millionaires feel like working when the skiing is good at Bad Gstaad and the trout are rising in the high Rockies?

Partners and shareholders aren't the only ones who have made out big. So did the dealmakers. The 42-year-old independent investment banker and arbitrageur Salim (Sandy) Lewis made $3.5 million for putting the Shearson/American Express deal together. First

"I thought I was fired"

If Sears, Roebuck and Prudential are looking for ways to make their brokerage acquisitions work, they might do well to look up 35-year-old Peter Cohen, vice chairman of Shearson/American Express. Don't be put off by his youth. Cohen probably has had more experience putting successful brokerage house mergers together than just about anyone else on Wall Street, with the possible exception of his boss, Shearson/Amex Chairman Sanford Weill.

Weill, of course, in the space of seven years, built the second-largest brokerage firm on Wall Street by successfully acquiring a lot of ailing firms such as Shearson Hammill and Loeb Rhoades. While Weill wheeled and dealed, Cohen watched operations. Not an easy job. Remember that Shearson a year ago swallowed giant Loeb Rhoades with nary a burp while Paine Webber almost was put out of business by a back office crisis after it acquired Blyth Eastman Dillon.


Shearson/Amex' Peter Cohen
The nuts-and-bolts man.

Cohen's star began to rise in 1973 when Weill was named the new CEO of Hayden Stone. He took Cohen, then 27, to lunch and told him candidly: "I don't know how to run a big brokerage firm. I want you and me to learn together." Cohen almost fell off his chair. Having worked for another executive who lost out when Weill became Hayden's CEO, Cohen recalls, "I thought I was going to be fired." Instead, that lunch marked the beginning of a swift rise at Hayden and later at Shearson (when Hayden acquired Shearson Hammill in 1974) that has taken Cohen to the number two spot at Shearson/Amex and the board of American Express.—R.S.

Boston, the Pru-Bache matchmaker, got $3.9 million, while Goldman, Sachs made $2 million for performing the Dean Witter-Sears nuptials.

There's little doubt that more big paydays lie ahead. E.F. Hutton, second-largest U.S. brokerage house, remains independent—but TransAmerica Corp., the big San Francisco-based conglomerate, is nibbling; it has about a 3% interest in Hutton. So far, Hutton President George Ball declares the firm will not be acquired—and brokerage firms are not likely to be dragged to the altar against their will since the management and sales force can simply walk out. But who knows what inducements may be dangled in front of Ball and his salesmen?

If Hutton remains independent, it will have to face continuing inroads into businesses that once were exclusively Wall Street's. For years the brokers have been successfully fighting off the efforts of commercial banks to get Congress to let them into investment banking. The odds are that during this year or next Congress will give the banks at least a beachhead by letting them underwrite revenue bonds. In fact, Ball says he sees the day when Hutton might consider buying a bank in self-defense—to serve the loan needs of its stock and bond customers. Merrill Lynch, of course, has been profitably browsing on the fringes of the banking business with its $38 billion in money market funds. There's also the Merrill Cash Management Account, complete with Visa card, which allows customers to save and also to borrow through checks. In short, banking in everything but the name.

So what happens to the independents? John Whitehead, co-managing partner of Goldman, Sachs, thinks the banks, for example, may not have the stuff to make it in Wall Street's wheeling-dealing investment banking world. And Richard Zorn, who with his partner Charles Balis runs the small firm of Balis & Zorn, Inc., sees opportunity in the great stampede to buy up Wall Street. Balis & Zorn serves wealthy individual clients like John Denver, Zorn says, and as brokerage houses become conglomerated, prepackaged and sanitized, these big, rich customers will opt for the personal touch.

Will the independent broker survive? That remains to be seen. But one thing is clear: If the independents go the way of the buggy whip, it will not come about before a lot more happy millionaires are created on Wall Street. ■

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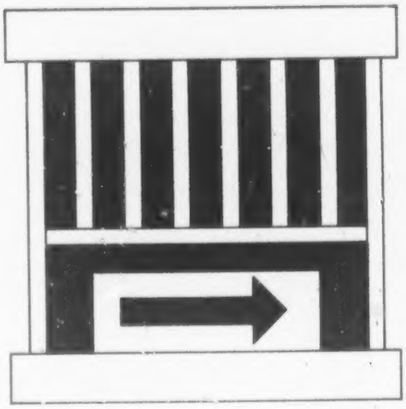
If interest rates come down a bit this year, that's good, obviously, for banks and their borrowers. But the forces that may cause a drop in rates may also cause a boost in loan losses.



Banks

By Allan Sloan

THE GOOD NEWS this year is supposed to be that the economy is slipping so badly that loan demand will be low enough to allow the federal government to finance its deficit without sending rates back through the roof.

Indeed, that may be good news if it forces interest rates down for a while. The bad news is this: It will also play hob with banks' loan losses. Two years of interest rates in the middle to high teens have sapped the strength of many borrowers, both business and consumer. A sharp drop in the economy could kill off many of these weakened customers.

It could be even worse than when the economy went south in 1974-75. Then, the big bank casualties were real estate loans, especially those to real estate investment trusts. This time around, many borrowers are vulnerable, perhaps across the board. If there is a deep recession, says James Wooden, a Merrill Lynch banking analyst, "the credit problems will be more dispersed [than in 1974-75]. It could be small- and middle-market commercial and industrial loans, it could be real estate, it could be some single-family homes with excesses of pyramiding mortgages."

Even without loan problems, bank profits are already under pressure. Look at the gyrations many bank holding companies went through in the second half of last year to keep profits up. They sold investments and real estate holdings at a gain, and booked profits by buying in long-term bonds at less than par. They had to, or thought they had to: Their shareholders didn't buy bank stocks for a ride on a roller coaster.

While they cope with these problems, their rivals steal a march. The banks have been waiting for interstate banking for years, and that's a little like waiting for Godot. While

Banks

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
New York banks												
Republic New York	21.7%	1	23.9%	0.6	15.5%	1	14.2%	6.5%	40.3%	1	17.1%	1
J P Morgan	15.0	2	13.5	0.3	12.1	2	12.8	4.9	20.1	5	10.2	4
Bankers Trust N Y	14.7	3	17.2	0.3	13.8	3	11.6	4.3	16.8	9	12.6	3
Irving Bank	14.5	4	16.8	0.5	13.0	6	11.2	4.3	16.9	8	13.3	2
Manufacturers Hanover	14.4	5	14.1	0.5	11.2	4	11.3	3.5	22.0	4	9.2	7
Citicorp	14.3	6	10.6	1.5	7.1	8	9.8	2.4	22.9	3	8.2	8
Chemical New York	13.4	7	16.5	0.4	12.0	7	9.9	3.9	19.3	6	10.1	5
Chase Manhattan	12.7	8	14.1	0.6	9.7	9	9.4	3.6	18.3	7	9.3	6
Bank of New York	12.5	9	12.7	0.1	12.0	5	11.3	3.6	23.1	2	5.1	9
Marine Midland Banks	7.6	10	9.8	0.5	8.3	10	6.4	3.2	12.6	10	2.4	10
Medians	**14.4**		**14.1**	**0.5**	**12.0**		**11.3**	**3.8**	**19.7**		**9.7**	
Regional banks												
Mercantile Texas	20.1%	1	20.2%	0.4	16.0%	4	15.0%	7.6%	47.4%	1	17.8%	3
Texas Commerce Bshs	19.5	2	22.1	0.1	20.9	1	18.1	9.1	30.7	2	17.5	5
First Intl Bshs	18.6	3	20.6	0.6	15.8	5	14.9	7.9	25.6	5	15.2	10
Valley National	18.1	4	18.1	0.0	19.3	2	17.0	8.0	18.2	22	18.0	2
U S Bancorp	18.0	5	17.5	0.6	12.5	9	14.1	10.0	17.6	23	15.2	9

Note: Explanation of Yardsticks calculations on page 51.

the banks wait, S&Ls and near-banks such as Merrill Lynch, Sears, Roebuck and American Express are edging into the banking business.

Misery loves company, though, and the best thing banks have going for them is the more serious troubles afflicting the thrift industry. The thrifts—savings and loan associations and mutual savings banks—are still sitting on $700 billion of deposits, despite their stricken state. In the current climate of deregulation, banks are greedily eyeing the sinking S&Ls and their deposits.

Here's why: Though their profits are under pressure, the industry is still profitable, solidly so, while the thrifts are bleeding from every pore. Banks, whose portfolios are heavily weighted to adjustable-rate loans, can pay more for deposits than the thrifts can. Should deregulation finally appear, large parts of savings and loan deposits are vulnerable to banks. "If the thrifts bid competitively to try and keep their savings deposits, they'll see their earnings disappear," says Jonathan Gray, Sanford C. Bernstein's S&L analyst. "If they don't bid competitively, they'll see their deposits disappear."

Indeed, despite their potential problems in 1981, bank stocks may turn out to be a good investment. The prospect of interstate banking has made many regional banks takeover

Banks

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
First City Bancorp	17.5%	6	20.7%	0.1	19.1%	3	16.2%	8.4%	27.9%	3	15.7%	7
Republic of Texas	17.4	7	18.1	0.4	15.5	8	14.3	6.9	26.4	4	15.3	8
BankAmerica	17.2	8	13.1	0.3	10.7	11	13.4	3.6	20.1	11	13.8	14
Security Pacific	16.6	9	16.7	0.6	12.6	10	13.7	5.1	19.9	13	17.8	4
First Interstate	16.3	10	15.9	0.5	12.8	16	13.1	5.9	16.8	30	17.2	6
Seafirst	15.9	11	15.4	0.3	13.3	7	14.3	5.7	21.7	8	13.6	15
Continental Illinois	15.9	12	15.5	0.4	12.2	14	13.2	4.0	23.2	6	11.9	21
Michigan National	15.7	13	12.4	0.4	10.0	17	12.5	5.7	17.1	28	11.4	23
Crocker National	15.7	14	12.0	0.4	9.5	25	11.3	3.4	18.8	18	14.2	13
Industrial National	15.5	15	17.8	0.9	10.7	30	10.5	6.7	14.8	35	12.3	18
Northwest Bancorp	15.3	16	14.0	0.5	10.8	21	11.9	6.2	19.9	15	12.1	19
Wells Fargo	15.2	17	13.8	0.9	10.6	23	11.7	4.0	19.8	16	14.6	11
First Bank System	15.1	18	13.9	0.4	11.3	18	12.5	6.5	18.5	21	11.0	24
Rainier Bancorp	14.9	19	14.0	0.2	12.3	15	13.2	6.1	20.2	10	14.4	12
Mercantile Bancorp	14.7	20	14.6	0.4	11.6	24	11.5	6.6	18.9	17	7.9	34
National City	14.5	21	10.4	0.2	9.4	5	14.9	6.2	21.3	9	7.6	35
NCNB	14.5	21	14.2	0.5	10.8	32	10.4	5.4	16.3	32	11.9	20
Barnett Banks Fla	14.5	23	15.9	0.3	13.4	22	11.8	7.2	17.5	24	13.0	17
Pittsburgh National	14.3	24	14.8	0.2	13.6	12	13.4	6.5	20.0	12	10.3	27
Wachovia	14.1	25	14.7	0.0	14.4	13	13.4	7.9	14.1	38	10.7	26
Girard	14.0	26	14.8	0.4	11.9	29	10.7	7.0	10.6	41	13.4	16
First Union Bancorp	13.4	27	13.7	0.2	12.9	20	12.2	6.1	19.9	14	10.0	28
Maryland National	13.4	28	15.0	0.3	12.1	28	11.0	7.4	18.7	20	8.8	33
Southeast Banking	13.3	29	15.2	0.5	11.5	33	10.0	6.4	18.8	19	9.8	30
First Natl Boston	13.0	30	14.9	0.6	10.7	38	9.2	3.8	22.0	7	11.0	25
DETROITBANK	13.0	31	10.4	0.1	9.8	19	12.2	5.1	17.3	26	8.9	31
NBD Bancorp	12.4	32	10.6	0.2	9.7	27	11.2	5.4	14.2	37	8.9	32
Mellon National	12.1	33	12.1	0.4	10.4	31	10.4	5.2	15.2	34	9.9	29
Philadelphia Natl	11.8	34	10.6	0.3	8.7	37	9.3	4.7	13.5	39	5.5	38
BanCal Tri-State	11.7	35	6.0	0.4	5.3	39	9.0	2.4	10.2	42	22.9	1
First Wisconsin	11.7	36	13.3	0.3	11.1	36	9.4	4.9	12.0	40	11.8	22
Manufacturers National	11.5	37	2.5	0.2	2.7	34	9.9	1.1	17.3	25	5.3	39
AmeriTrust	11.2	38	10.3	0.0	10.3	26	11.2	8.7	14.4	36	7.2	36
Northern Trust	11.0	39	11.6	0.1	10.9	35	9.7	4.3	16.3	31	5.7	37
First Chicago	9.5	40	7.7	0.3	6.9	43	7.9	2.3	17.0	29	1.1	42
BancOhio	9.4	41	11.4	0.0	11.0	40	8.8	5.6	15.9	33	3.7	40
Harris Bankcorp	9.3	42	7.5	0.0	7.5	42	8.5	3.0	17.3	26	0.4	43
Citizens & Sthrn Ga	9.2	43	16.4	0.1	15.4	41	8.6	7.3	10.0	43	1.7	41
Fidelcor	5.0	44	14.0	0.5	11.7	44	4.8	5.6	6.9	45	–15.7	44
First Pennsylvania	def	45	def	3.0	def	45	def	def	8.5	44	P–D	45
Medians	**14.5**		**14.0**	**0.3**	**11.3**		**11.7**	**5.9**	**17.6**		**11.4**	
Industry medians	**14.4**		**14.1**	**0.4**	**11.5**		**11.3**	**5.6**	**18.3**		**11.0**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
P-D: profit to deficit. def: deficit.

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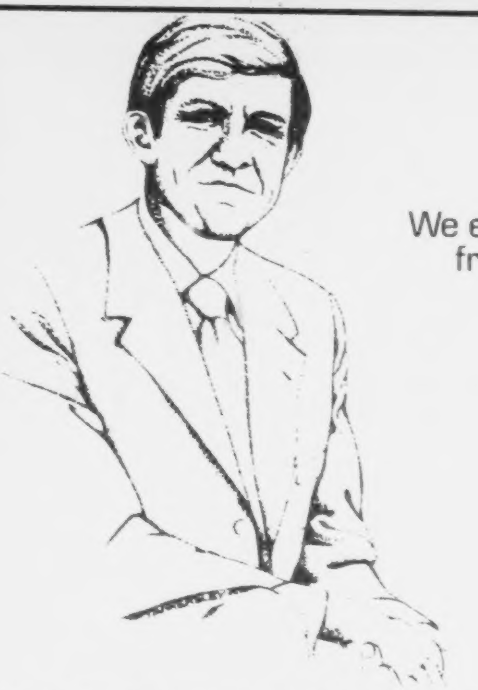
possibilities. In the past few years these stocks have been selling at heavy discounts from book value. It's a reasonable assumption that acquisitions would be made at close to book, and probably higher.

One element driving up the price of regional bank stocks is that bank companies have begun investing in each other, both as a potential foothold for interstate activities and as an acquisition play should another bank decide to buy in. The Bank Holding Company Act allows bank companies to buy up to 5% of other bank companies. The takeover potential, combined with the fact that dividends paid to a bank company are 85% tax-exempt, has made the regionals attractive buys for other regionals.

All these factors have lured big outside money to regional banks, giving some of their stocks sharp recent gains. Some pension funds have gotten into the game, figuring that the regionals are a good buy at today's depressed prices and that any takeover benefits the funds.

But the immediate problems remain. Loan losses are an enormous potential problem that may give no warning before they show up. The easiest way to keep profits up is to keep loan loss provisions low, on the assumption that sooner or later some miracle will bail the borrowers out. But if the loss provisions have been kept low and the borrowers get into trouble, the need to make up for past leniency can blow profits—and capital—right out of the water.

As ever, quality will pay. ■



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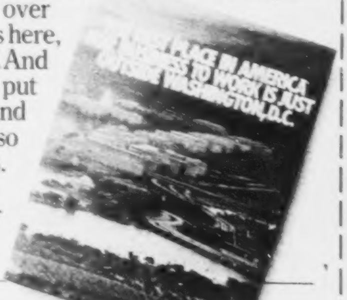

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FAIRFAX COUNTY, VIRGINIA

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Once again, interest rates are coming down while insurance underwriting ratios are being driven toward historic highs. Why can't the industry avoid this lethal cycle?

Insurance

By Jay Gissen

THE INSURANCE INDUSTRY, more than any other, needs stability and predictable economic trends. But nowadays it's hard to see ten days—let alone ten years—ahead.

Take the plight of property-casualty insurers. For two years they have been driving down rates in bidding wars. With short-term interest rates approaching 20%, it made sense to bid low for business, to have the use of the customers' premium money until claims started coming in.

But with short-term rates falling, decreasing that investment income, property-casualty now finds itself at the bottom of the underwriting cycle and in trouble. The industry's underwriting ratio is threatening to drive past the alltime high of 109, set in late 1974. In that year the industry paid out $1.09 in claims for every $1 it received in premiums. The downturn won't ease until at least mid-1982.

The losses—plus overhead—must be covered by investment income, which is dropping. Some thinly capitalized insurers who gambled on interest rates staying high may bleed badly before they can raise rates.

Of course, those lower interest rates—even if only temporary—will be helpful. With rates dropping, the insurance companies' depressed bond portfolios will perk up. But there's a danger in that, too. The danger, cautions analyst David Seifer of First Boston, is that the companies will think their problems are behind them: "They could take that improved balance sheet and reinvest that improvement right back into the price competition."

Who will fare best in the unstable environment that may become a fact of life in insurance? Companies with a diverse mix of insurance businesses, or whose mix is higher in personal lines, will be best off. Firms such as St. Paul, American International Group and Chubb, who have had a tighter discounting policy, should also outperform the industry in 1982. Says Oppenheimer & Co. analyst Myron Picoult: "They have been trying to stay on the fringe of price competition

Insurance

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Life & accident												
First Executive	36.3%	1	36.2%	0.0	24.1%	2	20.3%	1.7%	80.9%	1	78.1%	1
Combined Internatl	21.8	2	21.0	0.0	21.0	1	21.4	12.5	13.2	7	13.0	6
American Family	21.0	3	10.9	0.2	9.5	3	19.7	3.9	34.6	2	12.4	8
Business Men's Assur	17.2	4	14.3	0.0	14.7	5	15.3	10.1	5.3	16	44.4	2
Provident Life & Acc	17.1	5	14.1	0.0	14.1	4	17.1	7.5	5.8	15	14.9	5
USLIFE	16.4	6	14.8	0.5	12.0	7	13.6	11.6	12.1	8	10.9	13
Gulf United	16.0	7	15.1	0.4	11.5	10	13.1	9.3	17.1	3	12.6	7
Jefferson-Pilot	13.8	8	12.7	0.0	12.6	6	13.7	11.4	10.4	10	11.7	10
Capital Holding	13.7	9	13.7	0.0	13.6	8	13.5	10.8	10.0	12	11.4	12
American Natl Ins	13.2	10	10.9	0.0	10.8	9	13.2	11.1	9.6	13	18.9	3
Liberty Natl Ins Hld	13.0	11	13.2	0.0	13.2	11	12.9	12.8	10.5	9	9.9	15
Washington National	12.9	12	13.1	0.0	11.8	12	11.3	4.6	16.5	4	11.4	11
NLT	11.3	13	10.9	0.1	10.5	13	11.0	17.0	8.9	14	8.8	16
Equitable of Iowa	10.9	14	8.6	0.2	7.3	15	9.7	4.0	16.2	5	10.8	14
Nationwide	10.4	15	8.2	0.0	8.5	14	10.6	4.8	10.4	11	12.4	9
PennCorp Financial	10.1	16	2.5	0.7	3.6	16	9.5	1.8	16.1	6	17.3	4
Medians	**20.0**		**14.9**	**0.1**	**13.5**		**16.8**	**6.5**	**14.1**		**22.0**	

Note: Explanation of Yardsticks calculations on page 51.

rather than give away the whole store."

One exception to massive price discounting thus far has been group health insurance, which has remained profitable. Faced with ever higher-priced medical claims, companies such as Aetna Life & Casualty and The Travelers Corp. have been leading the drive to increase rates. "Whether the industry can hold the rates up in group health is a big question," says First Boston's Seifer. "Will price-cutting come into group health if it's the only profitable area of insurance?"

In life insurance, meanwhile, some startling changes are on the way. The latest is universal life (FORBES, *July 20, 1981*). Universal life is a good deal for the customers but a threat to established life insurance companies whose investment returns will be dragged down by universal life's higher yields to policyholders. Ambitious smaller firms, on the other hand, are looking toward universal life as a way to jump into the industry in a big way in a short time. "They've got nothing to lose," says Oppenheimer's Picoult. "They don't have a book of business that's going to be cannibalized by competitors offering universal life."

Big companies, of course, have a lot to lose, so they are lobbying intensively to stop universal life, which will depend on a favorable IRS ruling to be a viable product. Will the old-line companies prevail? Who knows?

So the future is harder to predict. One direction in which the industry seems to be headed is no-frills insurance—bad news for the brokers. More and more firms are setting up their own risk management departments, bypassing the brokers. In fact, most services offered by brokers are now duplicated by insurance companies.

The insurance industry has some reckoning ahead. No one company can end price discounting. It would take an industry consensus that seems unlikely. There are too many opportunities for companies that make shrewd investments to use the extra income to gain market share by discounting.

Insurance is a business that counts on predictability. But the financial markets are no longer predictable nor is the future rate of inflation. ■

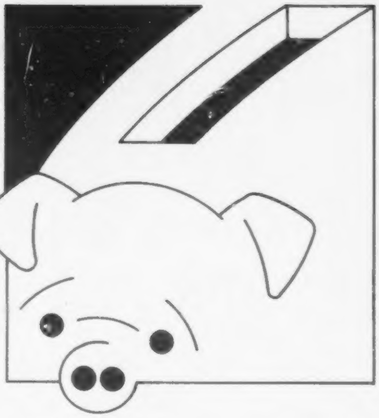
Insurance

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Fire & casualty												
Reliance Group	50.3%	1	16.4%	0.6	10.9%	11	16.5%	4.6%	10.0%	13	D–P	
GEICO	49.4	2	35.0	0.6	19.2	4	23.5	8.9	3.3	14	D–P	
Mission Insurance	33.6	3	26.7	0.2	23.9	1	27.7	10.5	31.6	1	39.6%	1
Ohio Casualty	26.1	4	18.3	0.0	18.2	2	25.5	8.7	17.9	4	24.7	8
USF&G	25.0	5	13.0	0.0	13.1	3	25.1	7.7	14.9	9	27.4	5
Crum & Forster	24.1	6	21.6	0.0	21.2	5	23.1	9.5	14.3	10	27.8	3
Kemper	22.8	7	15.1	0.0	15.2	6	22.8	4.5	22.2	3	27.6	4
General Re	22.8	8	20.1	0.0	19.8	7	22.1	12.8	17.5	5	26.2	7
Hanover Insurance	22.1	9	18.3	0.0	18.2	8	21.3	6.6	16.2	7	27.1	6
American Express	20.6	10	17.9	0.5	16.0	10	17.2	7.2	17.0	6	18.2	10
Republic Fnl Svcs	20.0	11	14.9	0.2	13.0	12	15.9	6.0	15.8	8	17.9	11
Chubb	19.0	12	15.6	0.0	15.0	9	17.6	7.2	10.3	12	22.0	9
Continental Corp	14.6	13	7.7	0.0	7.5	13	13.5	4.7	10.8	11	17.4	12
Berkshire Hathaway	12.4†	14	9.7	0.2	9.3	14	10.9†	8.5	25.3	2	33.4	2
Medians	**22.8**		**17.2**	**0.2**	**15.6**		**21.7**	**7.5**	**16.0**		**26.7**	
Multiple line												
Old Republic Intl	25.4%	1	19.8%	0.2	16.9%	1	25.5%	12.3%	21.6%	3	28.5%	2
Loews	24.6	2	23.6	0.5	12.0	14	11.5	5.4	20.1	4	29.6	1
American Intl Group	23.6	3	20.6	0.1	19.8	2	22.3	11.1	22.4	1	24.0	5
CNA Financial	22.0	4	11.1	0.2	8.4	12	11.8	3.5	8.3	14	D–P	
Aetna Life & Casualty	20.9	5	14.6	0.1	13.6	5	18.6	3.6	15.3	6	24.2	4
Farmers Group	20.4	6	17.9	0.0	17.8	4	19.5	22.1	14.5	7	18.9	9
INA	20.1	7	32.0	0.3	25.9	7	17.3	11.3	15.8	5	25.0	3
Colonial Penn Group	19.8	8	5.5	0.0	5.5	3	19.8	1.7	21.7	2	8.8	13
St Paul Companies	19.7	9	13.0	0.0	12.9	6	17.7	6.9	13.6	9	18.4	10
American General	19.0	10	15.7	0.1	14.4	10	15.3	7.5	11.5	12	22.0	7
Safeco	18.2	11	12.0	0.3	16.3	11	14.6	7.0	13.7	8	23.1	6
Travelers	17.0	12	13.5	0.0	13.3	9	16.2	3.7	10.5	13	20.4	8
Connecticut General	16.8	13	15.2	0.0	14.9	8	16.3	6.1	12.2	11	15.4	11
Lincoln National	13.1	14	10.7	0.1	9.0	13	11.6	4.8	13.0	10	14.1	12
Medians	**20.0**		**14.9**	**0.1**	**13.5**		**16.8**	**6.5**	**14.1**		**22.0**	
Industry medians	**19.8**		**14.7**	**0.1**	**13.3**		**16.4**	**7.4**	**14.4**		**18.9**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
†Four-year average. D-P: deficit to profit; not ranked.

Don't look too long at the savings and loan associations that are dying. Look instead at the giant new ones that are being born.



The thrifts

By Allan Sloan

THE THRIFT INDUSTRY is suffering from the economic equivalent of bubonic plague. The sickness—paying out higher interest rates on deposits than come in on loans—goes on and on. Every few days the hearse appears and carts off another victim.

But while the ever-growing death list gets the attention, it's often forgotten that there is a new breed of institution quietly being born: the giant, interstate S&L. Under pressure to find institutions large enough to take over big, failing associations, the Federal Home Loan Bank Board has arranged emergency bailouts that would probably have drawn some antitrust flak had they been attempted during normal times.

Two very large interstate acquisitions have already taken place: National Steel's California-based S&L subsidiary took over S&Ls in New York City and Miami Beach, and Glendale Federal of California took over First National S&L of Broward County, Fla.

Other interstate deals are on the way. The tipoff: new Federal Home Loan Bank Board accounting rules that make interstate acquisitions more attractive than intrastate ones. Under this "purchase accounting," a S&L can acquire an association in a different state, write the loan and bond portfolios down to market value and account for the difference between face value and market value over 40 years. For intrastate deals, it's only 25 years.

That 15-year difference is the key. The thrifts' sound but depressed mortgages and bonds have an average life of maybe 12 years and then pay off in full. So the association takes the difference between book value and face value into its profits over 12 years as the loans and bonds pay off, but can spread the losses over 40 years.

What this means is that while banks have been forever on the brink of going interstate, the S&Ls are doing it with little public debate.

One reason for the interstate deals is that even with an accounting bag of tricks, it takes capital to take over a big, failing S&L. Stockholder-owned S&Ls generally find it easier than mutuals to raise capital. After all, the stocks can sell new shares, but the mutuals have no stock to sell. Most of the big stock S&Ls are in California. They are the prime choices to bail out the sickies, regardless of where they're located.

Anthony Frank, head of National Steel's S&L, hopes his new tri-state association can prosper, luring deposits by providing customers with such things as income tax preparation and simple trusts. ("For more complicated ones," he says, "let them go to a bank.")

Frank has been more astute than most S&Ls bosses, because he has concentrated on making adjustable mortgages while many of his colleagues rushed out to lock up yields that a few years ago seemed oddly

The thrifts

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Golden West Finl	20.7%	1	3.2%	0.3	3.5%	1	16.8%	1.1%	35.1%	1	15.6%	1
Imperial Corp of Am	12.5	2	def	0.8	0.9	3	11.1	def	20.3	3	10.9	2
Gt Western Financial	11.9	3	1.3	0.5	2.3	2	11.1	0.7	17.9	6	10.6	3
H F Ahmanson	11.6	4	def	0.4	0.9	4	10.0	def	19.3	4	9.4	4
First Charter Finl	9.9	5	def	0.7	0.4	5	9.5	def	18.4	5	4.6	5
Gibraltar Financial	6.5	6	def	0.5	def	6	8.9	def	23.3	2	–5.4	6
Industry medians	**11.8**		**def**	**0.5**	**0.9**		**10.6**	**def**	**19.8**		**10.0**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51. def: deficit

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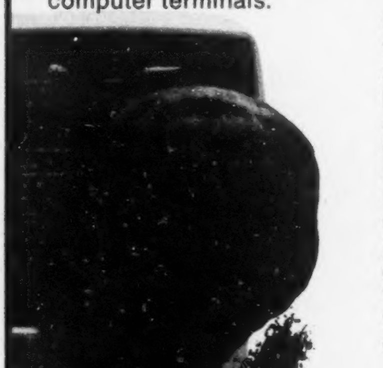


high, but now seem oddly low.

His advice is for thrifts to convince borrowers to trade in fixed-rate mortgages for new adjustable ones at a "blended" rate. With the recent drop in long-term rates, that kind of deal may become attractive. That could help solve one of the industry's biggest problems: lack of portfolio turnover. As old, fixed-rate loans become more valuable to the borrowers, they pay them off less frequently. In fact, the industry's average loan portfolio "life" has climbed to 12 years from 10 in the past few years.

But even with some modest rate relief, the restructuring of the weakened thrift industry will go on. "If you don't have any capital, it's very hard to make money," says Merrill Lynch analyst Jerome Baron. "Even if the bleeding stops, many S&Ls have to get more capital."

That means that, even if the death rate slows down, the thrift industry will continue to consolidate. Some of the larger ones have long wanted to have the powers of commercial banks, and they may get them during the current environment of deregulation and fear of big S&L collapses. The days of the small neighborhood mutual S&L have vanished, along with the 7% mortgage. ■

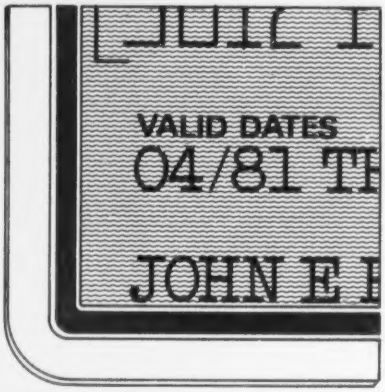
Dodging bullets

Even though most savings and loan associations are in trouble, new ones are springing up all the time. Sound strange? There's a reason, albeit not a very good one.

Jonathan Gray, S&L analyst at Sanford C. Bernstein, attributes the phenomenon to a "Churchillian strategy," based on a story the late British prime minister told about his days as a war correspondent in Cuba in 1895.

Churchill woke up in the wee hours of the morning to find bullets whizzing through his hut. He raised his head a bit, saw another man sleeping between him and the bullets, and went back to sleep. Gray thinks new S&Ls are like that. They're making 17% loans and have no old 8% ones on the books. If rates come down, the new S&Ls make a ton of money. If rates go up, the rest of the industry, with an average mortgage yield of under 10%, will go bust first. Either way, you have the rest of the industry between you and the bullets.—A.S.

That cliché—the department store of finance—is moving closer and closer to reality all the time.



Financial services

By Jay Gissen

WHAT'S IN A NAME? For the financial services industry, plenty. The business used to be called "consumer finance" until Wall Street gave it a fancy new name. Even the old name was a euphemism. Most people interpreted consumer finance as a term for small-loan companies, a business that used to have an image only a cut or so above your neighborhood loan shark: sort of a lender of next-to-last resort. But the business has come a long way.

Financial services are now all the rage. Being in debt is no longer a disgrace, and everyone has become a potential borrower. The idea is to assemble a "financial supermarket," where the whole is equal to more than the sum of the parts. Old-line loan companies are trying to move "upscale" by searching for more affluent customers. Banks are actively seeking a piece of the business, and with such companies as Prudential Insurance, American Express and Sears, Roebuck broadening their financial product lines, the business is becoming even blurrier than usual. Brokers are no longer strictly brokers; banks no longer strictly banks; and Sears, Roebuck would like to be your bank, your broker and your moneylender all in one—in addition to selling you insurance as it has done for decades.

Large and small, these companies are betting on technology, which will let you shop, invest, borrow and deposit without leaving your house.

Is this just fad? Or future reality? "There's been a lot of ballyhoo about consumer financial services, and people have seen that it looks attractive," says Finn M.W. Caspersen, chairman of Beneficial Corp. "But when they get into the business, they're going to find that it's just like any other competitive business: It takes knowledge, skill and capital to make a reasonable return." He wonders: Does Sears have it? Does American Express?

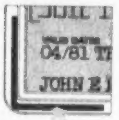
Yet the technology itself seems to pose few long-term barriers, and the fact that several industries have crossed traditional borders to provide similar services has made for fierce

Financial services

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Alexander & Alexander	39.2%	**1**	28.8%	0.0	28.9%	**1**	42.4%	12.2%	26.5%	**3**	23.4%	**2**
Marsh & McLennan Cos	31.2	**2**	20.8	0.5	15.4	**2**	31.8	14.1	17.8	**4**	16.0	**8**
Baldwin-United	26.1	**3**	27.2	0.5	16.9	**4**	16.3	4.0	36.8	**2**	21.2	**4**
American Express	20.6	**4**	17.9	0.5	16.0	**3**	17.2	7.2	17.0	**6**	18.2	**6**
Avco	20.4	**5**	10.8	2.5	5.8	**11**	7.2	4.0	9.1	**12**	37.3	**1**
Transamerica	18.5	**6**	15.3	1.2	9.1	**6**	11.5	5.4	11.2	**10**	22.6	**3**
Alleghany	15.1	**7**	17.4	0.4	11.9	**5**	13.2	4.9	43.4	**1**	16.3	**7**
RCA	14.6	**8**	0.1	0.8	3.8	**7**	10.8	0.9	9.5	**11**	7.8	**9**
Walter E Heller Intl	13.7	**9**	12.9	2.7	7.1	**10**	7.3	4.9	17.1	**5**	6.9	**10**
Household Intl	12.9	**10**	7.4	2.0	4.6	**12**	6.4	1.4	13.9	**9**	5.0	**11**
Sears, Roebuck	10.6	**11**	6.6	0.4	5.9	**8**	9.0	1.9	8.6	**13**	3.7	**12**
Control Data	9.8	**12**	10.6	0.3	9.4	**9**	8.1	3.9	14.3	**8**	19.6	**5**
Beneficial Corp	9.3	**13**	def	3.1	3.7	**13**	5.7	0.5	8.0	**14**	–3.8	**13**
Fedl Natl Mortgage	7.9	**14**	def	27.2	3.9	**14**	4.3	def	14.9	**7**	–8.2	**14**
Industry medians	**14.9**		**11.9**	**0.7**	**8.1**		**9.9**	**4.0**	**14.6**		**16.2**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
def: deficit.



competition to get there first. The consumer will be a gainer. "There is no question that the entrance of Sears and American Express into the business of supplying financial service to consumers creates a good deal more activity and more choices for the consumer as to where he is going to put his money," says Franklin Cole, chairman of the commercial finance giant Walter E. Heller International. "While all that competition creates flux and uneasiness and trauma, it's essentially good for the consumer because it means more alternatives."

Rather than waiting to be gobbled up by outsiders, some traditional financial services companies are spreading out. Marsh & McLennan took over C.T. Bowring & Co., a British insurer, in 1980 to get into the Lloyd's of London market. Alexander & Alexander is buying U.K.-based Alexander Howden Group Ltd. to get into Lloyd's and to expand its foreign reinsurance business, after having failed to buy Sedgwick.

Alexander & Alexander owns a small regional investment counseling house in Atlanta and a property tax consulting operation. "There is a broadening going on," says A&A Chairman Kenneth W.S. Soubry. "We are studying many avenues, but we are cautious people and move slowly. We're careful how we do it."

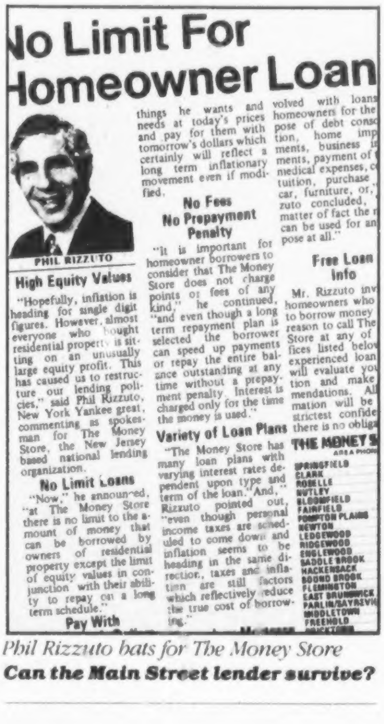
Where does all this leave what used to have that repellent image—the traditional consumer finance companies? Possibly in the dust. While they were once a large part of a small field, they are fast becoming mere specks on a giant screen.

Companies such as Household International (formerly Household Finance), Beneficial and Avco Financial have been forced to pare their number of moneylending shops significantly. Avco shut down about 500 offices—a 28% reduction—last year alone, and Beneficial cut about 400 offices, too. That's about 20% of its branches. They are losing business to the banks.

The consumer finance companies' fundamental problem is not only that their markets are being raided by the banks but that, at the same time, rapidly fluctuating interest rates make it impossible to project the cost of money. The finance companies prospered when there was a wide spread between their short-term borrowing costs and the rates that state usury laws would let them charge. That spread has narrowed greatly. Meanwhile, banks are trying to skim the cream off the market by offering credit cards, check overdraft privileges and personal lines of credit—all but nonexistent a decade ago.

Some finance companies, notably Beneficial, have tried to move into second-mortgage lending. That way they can lend money in bigger chunks (reducing dollars of overhead per dollar lent out) and with collateral. "Second mortgages have remained a fairly safe haven for lending," notes Harold Levine, an E.F. Hutton analyst. Will things stay that way? Who knows?

The biggest asset the finance companies have is clearly their loan offices. Because finance companies aren't bound by the laws that limit bank branches, many of them have national or regional networks of offices in different states. One big company, Household, has bought a bank—Valley National of Salinas, Calif.—and may use Household Finance offices as branch banks in the future. But it's more likely that banks will buy loan companies. Their ready-made national branch networks make them attractive to bank holding companies that are convinced they will one day be able to branch across state lines. Only custom and probably obsolete laws keep the one-stop money shop from becoming a reality—and beyond that lies an attachment to your TV screen that will tap you directly into the worlds of borrowing, lending and investing. ■



lo Limit For
Homeowner Loan

PHIL RIZZUTO

High Equity Values

"Hopefully, inflation is heading for single digit figures. However, almost everyone who bought residential property is sitting on an unusually large equity profit. This has caused us to restructure our lending policies," said Phil Rizzuto, New York Yankee great, commenting as spokesman for The Money Store, the New Jersey based national lending organization.

No Limit Loans

"Now," he announced, "at The Money Store there is no limit to the amount of money that can be borrowed by owners of residential property except the limit of equity values in conjunction with their ability to repay on a long term schedule."

Pay With

things he wants and needs at today's prices and pay for them with tomorrow's dollars which certainly will reflect a long term inflationary movement even if modified.

No Fees
No Prepayment
Penalty

"It is important for homeowner borrowers to consider that The Money Store does not charge points or fees of any kind," he continued, "and even though a long term repayment plan is selected the borrower can speed up payments or repay the entire balance outstanding at any time without a prepayment penalty. Interest is charged only for the time the money is used."

Variety of Loan Plans

"The Money Store has many loan plans with varying interest rates dependent upon type and term of the loan." And," Rizzuto pointed out, "even though personal income taxes are scheduled to come down and inflation seems to be heading in the same direction, taxes and inflation are still factors which reflectively reduce the true cost of borrowing."

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THE MONEY S

AREA PHON

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BLOOMFIELD
FAIRFIELD
POMPTON PLAINS
NEWTON
LEDGEWOOD
RIDGEWOOD
ENGLEWOOD
SADDLE BROOK
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Phil Rizzuto bats for The Money Store

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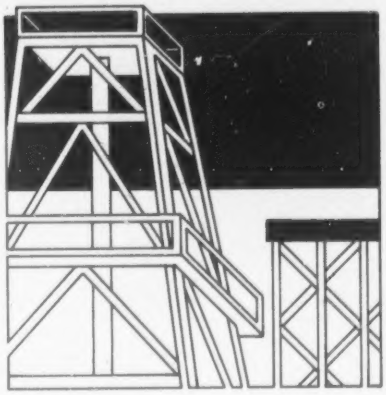
1981 Economic Development Commission of Tulsa

Reports of OPEC's demise are greatly exaggerated—but they certainly are helpful to OPEC.



Energy

By Toni Mack

YOU'VE HEARD THE GOOD NEWS. Oil conservation is up, demand is down. Discoveries in Mexico and the North Sea have supplanted OPEC production. OPEC producers were forced to cut production and discount their crude in 1981.

Does it mean OPEC has lost its grip on world oil prices, and all is well again in the West? No. There's a dark side to every one of those bright spots. What will happen to conservation when Western economies recover? What big new supplies will come into production before the late 1980s? Considering last year's strong dollar, the currency in which oil is valued worldwide, how badly was OPEC really ailing? *(See box, p. 92.)* Not that much. "Rumors about OPEC's death are exaggerated," said Sheikh Ali Khalifa al-Sabah, oil minister of Kuwait, after the Oct. 29 meeting that unified prices. Take a look at the world situation, and you'll see that he is probably right. Alas.

OPEC is unlikely to repeat the price jumps that made oil a glamour industry in the last decade. Why? "Saudi Arabia and other OPEC leaders are concerned about the drop in consumption," says William Randol of First Boston Corp. "They want to rekindle demand, and the best way is to let the price drop in real terms." It's now time for them to consolidate the sixfold increase in prices they rammed down the world's throat in the 1970s. An extortionist, after all, doesn't want to kill his victim.

What OPEC has learned is that the oil market is somewhat price-sensitive, at least in the medium term. After prices nearly doubled from 1973 to 1975, free-world demand dropped 2.7 million barrels a day, to about 45.1 million. Then through 1978, when oil prices fell slightly in real terms, demand *climbed* 6 million barrels a day. When prices more than tripled in 1979-80, demand dropped almost 4 million barrels a day again, to around 47.5 million in 1981. What happens when prices stabilize again? Consultant Edward F. Carroll, for one, says bluntly: "The consumer will be lulled back to sleep. Nobody's going to care about a 3-cent- or 6-cent-a-gallon rise in product prices if he was expecting a 20-cent or 30-cent rise."

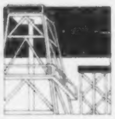
What happens, too, when world economies pick up again? Obviously, demand will as well. "The U.S. and [the developed] world have stagnated since 1979," says Arnold Safer, president of Bethesda, Md.'s Energy Futures Group. "They will come out of this and be booming again by the mid-Eighties." The result of an economic pickup, says Safer: "The world will suck up more oil."

Moreover, demand for oil has never waned in the developing countries. Countries outside the industrialized world were consuming 10.4 million barrels a day in 1975. In 1982 they will require around 14.5 million, more than half of it imported. Third World demand could easily grow another 8 million barrels a day in the next five to ten years.

The global thirst for oil, then, will not be that great in the short term—flat or up only slightly this year. But it could climb much more steeply in the mid-1980s—up to 52 million barrels, says Safer.

Meanwhile, replacements for OPEC

OPEC representatives at the Oct. 29 meeting that unified prices
An extortionist doesn't want to kill his victim.



crude in the rest of the world are slowing. In the 1970s almost all of the rise in non-OPEC, free-world production came from the North Sea and Mexico. But Mexico's internal demand is likely to grow much faster than its production, and growth in North Sea production is peaking already. That's why Energy Futures' Safer says: "Even with major discoveries—and there have been some—that stuff won't be on stream until the late Eighties or early Nineties. That will be OPEC's real testing time."

In sum, OPEC will not try to put its hands deeper into the customer's pockets for the time being. In 1982, oil prices are likely to hold steady at around Saudi Arabia's $34 benchmark—a decline after inflation. After that, most experts think, price rises will at best keep slightly ahead of the inflation rate. Even price hikes caused by a major supply disruption probably wouldn't hold, according to Lawrence Goldstein of the Petroleum Industry Research Foundation.

That's precisely what the cooler heads in OPEC would like, a strategy clearly spelled out in the official OPEC document FORBES published last Jan. 19. Its message was direct and cynical: The dumb customers won't even notice slow, steady price increases; but big, sudden ones could bring military intervention at worst,

The dollar connection

How do you forecast the price of oil—by decreased demand, finite supply, the unity of OPEC (or lack of it)? All important factors, says energy consultant Edward F. Carroll, but there's another that's largely overlooked—the strength of the dollar.

Consultant Edward F. Carroll

"We've yet to come to grips with one of the greatest determining factors of oil—the currency issue," says Carroll, who spent 22 years as an energy analyst with the likes of E.F. Hutton and the Ford Foundation before starting his own consulting business in Stamford, Conn. When the dollar rises against the deutsche mark or the yen, Arabs can afford to let oil prices stabilize; when the dollar falls, oil prices are likely to rise. In fact, the dollar's strength in 1981 was the overriding reason for the oil glut, Carroll says. OPEC producers are paid in dollars, so as the dollar rose against other currencies last year, Europe and Japan were forced to pay more for their crude. The Saudis' purchasing power in deutsche marks, for example, on their $32-a-barrel oil reached the equivalent of $40.32 per barrel by midyear. Overall, OPEC producers were getting between $35 and $50 worth of purchasing power per barrel in Europe and Japan, where they buy 80% of their imports. "On that basis, Libya and Nigeria could easily offer discounts of $4," says Carroll. "Their purchasing power was still over $40 per barrel in countries outside the U.S."

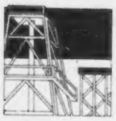
Withering demand forced Libya and Nigeria to cut production for a while, Carroll concedes, but since September the dollar has been falling, adjusting price pressure abroad. Thus, he says, demand should recover. Carroll thinks the dollar will drop another 10% to 15% in the next several months, and if it does, OPEC may even be tempted to break its vow not to raise prices in 1982.—T.M.

Energy

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
International oils												
Occidental Petroleum	30.1%	1	27.9%	0.4	16.3%	3	15.0%	4.4%	16.1%	6	17.7%	2
Phillips Petroleum	22.3	2	19.9	0.2	16.1	1	17.2	6.2	19.5	2	21.4	1
Standard Oil Calif	19.7	3	21.9	0.2	17.3	2	15.7	5.5	18.2	3	16.6	3
Exxon	19.4	4	23.0	0.2	16.5	4	14.6	5.2	17.0	4	11.8	5
Mobil	18.9	5	18.4	0.2	13.4	5	13.7	3.6	21.7	1	16.4	4
Texaco	15.6	6	18.6	0.2	13.8	6	11.5	4.0	16.6	5	8.3	7
Gulf Oil	13.5	7	12.8	0.1	10.4	7	11.2	4.2	12.2	7	9.1	6
Medians	**19.4**		**19.9**	**0.2**	**16.1**		**14.6**	**4.4**	**17.0**		**16.4**	
Other oil & gas												
Consol Petroleum	62.4%††	1	10.1%	1.0	7.5%		**	0.2%	106.8%‡‡	1	−1.3%‡‡	41
Tosco	52.5	2	def	1.1	def	24	12.6%	def	38.8	6	48.0	1
Charter	41.7	3	2.3	0.7	4.3	1	22.2	0.5	31.8	11	34.6	4
Standard Oil Ohio	38.6	4	42.6	0.7	23.1	8	17.1	16.2	30.5	14	45.9	2
Mitchell Energy & Dev	38.1	5	37.6	1.1	12.3	23	12.7	12.0	38.7	7	33.7	5

Note: Explanation of Yardsticks calculations on page 51.
††Three-year average. ‡‡Three-year growth. def: deficit. **Not available; not ranked.



big cutbacks or, heaven forbid, an intelligent development of alternative energies—coal, shale, or nuclear.

So, weep not for OPEC. But this could be bad news for free-world producers. "We're coming into a shakeout period," says one Dallas oilman. "A tremendous amount of money has come into the industry, and it has hiked costs up out of proportion with reality. With the money crunch and the oil glut, a lot of the independent oil operators don't have the money to drill up all those lands they have accumulated." The major oil companies, on the other hand, are spending $15 to $20 for every barrel of oil they find—oil whose net present value is $12 after taxes, production costs and discounting. What's more, few oil companies now find enough to replace what they take out of the ground every year.

"Given flat oil prices, the oil companies will have to spend a smarter

Energy

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Superior Oil	34.8%	6	21.3%	0.3	13.3%	26	12.2%	19.9%	29.3%	17	31.0%	7
Howell	32.8	7	14.3	0.4	12.1	3	20.5	4.5	30.2	15	17.6	21
Texas Oil & Gas	31.4	8	36.6	0.6	17.1	12	15.9	12.0	39.7	3	31.8	6
Marion	30.3	9	18.1	0.6	10.9	9	16.8	3.3	39.1	4	37.4	3
Dorchester Gas	29.7	10	25.1	0.6	15.3	4	18.8	4.4	74.1	2	30.0	8
Ashland Oil	28.8	11	6.4	0.5	6.5	13	15.1	1.0	16.9	39	20.5	15
Pennzoil	27.8	12	23.4	0.6	13.0	18	13.4	9.1	19.6	30	16.6	23
Louisiana Land	25.5	13	23.5	0.1	19.4	2	20.6	15.3	26.1	19	10.2	33
Natomas	25.3	14	23.8	0.5	17.0	7	17.3	15.9	35.5	10	24.3	9
MAPCO	25.3	15	18.8	0.8	9.7	17	13.4	4.5	35.7	8	13.6	27
Petrolane	24.9	16	27.4	0.4	20.2	6	17.7	5.3	21.7	24	19.5	16
Belco Petroleum	23.7	17	25.1	0.1	19.6	5	18.5	23.0	17.6	37	24.1	10
Sigmor	22.5	18	18.4	0.6	12.5	11	16.0	1.9	38.9	5	17.8	19
Holly Corp	22.3	19	11.2	0.3	7.9	10	16.1	1.4	30.6	13	22.3	13
Crown Central Petroleum	20.8	20	def	0.5	def	22	12.8	def	22.6	23	23.9	12
Atlantic Richfield	20.4	21	21.5	0.4	13.5	19	13.3	5.6	23.8	21	24.0	11
Amerada Hess	20.2	22	11.4	0.4	8.0	15	14.3	2.9	18.8	32	16.7	22
Murphy Oil	20.0	23	25.1	0.3	16.0	27	12.0	7.4	17.4	38	18.4	17
Standard Oil Indiana	19.5	24	20.7	0.2	14.7	16	14.1	6.2	19.1	31	15.6	25
Marathon Oil	18.8	25	18.9	0.5	11.7	29	11.7	3.8	21.0	27	15.1	26
Union Oil California	18.7	26	21.1	0.3	14.8	21	13.0	6.7	14.4	42	13.3	29
Tesoro Petroleum	18.5	27	26.4	0.0	19.2	28	11.7	2.6	31.7	12	–3.7	42
Getty Oil	18.4	28	20.5	0.1	15.4	14	14.8	6.8	22.9	22	21.9	14
Shell Oil	18.3	29	20.4	0.3	13.5	20	13.1	7.7	17.8	36	16.6	24
Diamond Shamrock	18.0	30	8.0	0.6	5.5	31	10.8	3.0	20.6	28	5.5	38
Sun Company	17.9	31	15.8	0.5	9.2	25	12.5	4.3	24.4	20	12.7	30
Tenneco	16.9	32	16.4	0.7	9.3	35	9.9	5.1	18.0	34	7.6	35
Pacific Resources	16.5	33	10.4	1.1	6.3	27	9.5	1.0	30.1	16	13.3	28
Suburban Propane Gas	16.3	34	17.1	0.6	10.6	33	9.9	2.9	21.0	26	11.9	32
American Petrofina	16.2	35	15.2	0.5	11.2	30	11.4	2.9	17.9	35	6.7	37
Empire	15.9	36	7.9	1.0	5.5	32	10.1	1.1	29.0	18	17.7	20
Coastal Corp	14.6††	37	def	1.2	3.7	41	7.9††	0.1	35.6	9	3.1	39
Union Pacific	14.0	38	13.7	0.4	8.5	38	9.2	6.4	21.5	25	18.0	18
Kerr-McGee	14.0	39	14.6	0.3	9.3	34	9.9	5.3	16.0	41	8.8	34
Cities Service	13.9	40	12.9	0.4	8.8	36	9.7	3.8	18.1	33	12.7	30
Quaker State Oil	13.5	41	11.4	0.4	8.2	38	9.2	2.9	20.0	29	1.9	40
Allied Corp	12.6	42	20.6	0.4	12.6	40	8.2	6.0	16.5	40	6.8	36
Commonwealth Oil Rfg	def	43	def	2.3	def	42	def	def	8.1	43	D–D	43
Medians	**20.2**		**18.1**	**0.5**	**11.2**		**12.9**	**4.4**	**22.9**		**16.7**	
Coal												
North American Coal	13.9%	1	4.5%	7.3	3.7%	3	6.5%	0.8%	14.0%	1	9.9%	1
Eastern Gas & Fuel	10.7	2	12.0	0.4	7.2	2	6.6	4.8	11.5	2	–0.6	2
Pittston	8.6	3	4.9	0.2	3.9	1	7.3	1.5	9.9	3	–11.9	3
Westmoreland Coal	0.3	4	def	0.4	def	4	1.8	def	4.7	4	–51.6	4
Medians	**9.7**		**4.7**	**0.4**	**3.8**		**6.6**	**1.2**	**10.7**		**–6.3**	
Industry medians	**19.5**		**18.3**	**0.4**	**11.5**		**12.8**	**4.4**	**21.0**		**16.5**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
††Three-year average. D-D: deficit to deficit. def: deficit.

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dollar," says Russell Miller, an energy analyst at Baltimore's Alex. Brown & Sons. He cites as smart the partnership Texaco and Sequoia Petroleum formed with Mesa Petroleum in 1980. They agreed to pay $250 million to fund exploration on Mesa acreage and to lease more acreage in return for 35% of the ultimate production. Last year Sequoia signed a similar agreement with Dallas' Lear Petroleum. Some companies already spend a smart dollar. By the same token, Shell's expertise in secondary and tertiary recovery will stand it in good stead. So will Standard Oil of Indiana's excellent record of finding new reserves.

There's one area where flat crude prices will help: refining and marketing. Last year refiners were hit hard. In the U.S. they could not pass along price jumps unleashed by decontrol, and in Western Europe, the second-largest petroleum market, weak demand and a strong dollar made for disastrous margins.

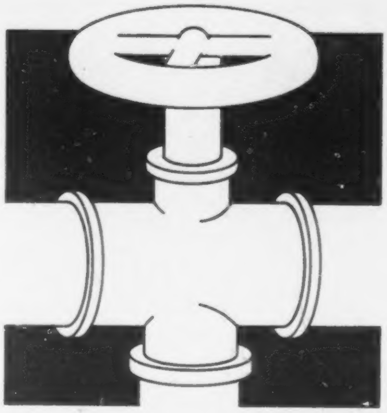
"We're coming into a shakeout period," says an oilman. "A tremendous amount of money has come into the industry, and it has hiked costs up out of proportion with reality. With the money crunch and the oil glut, a lot of the independent oil operators don't have the money to drill up all those lands they have accumulated."

Oil analyst Barry Good at Morgan Stanley calculates that the spread in Europe in June between the average OPEC price and the average product price came to *minus* 76 cents per barrel. After transportation, refining and distribution costs, refiners were losing around $4 per barrel.

By autumn falling oil prices began to plump up U.S. margins, and by the end of the year European refining operations were almost breaking even. As higher-than-normal crude oil and products inventories are worked off, the situation will further improve for the short term at least. Long term? "Nobody is ever, for the rest of time, going to need another refinery," says Good. In the U.S. alone, refiners need to shut down at least another 1 million barrels a day of their 18.6 million capacity.

How often do you hear talk of "oil crisis" these days? Almost never. Yet the oil crisis does remain very much with us and, for as far as the mind can see, OPEC is going to be the only beneficiary. ■

A large part of the solution to Reagan's budget deficit is right under his nose. The natural gas distribution industry is terrified he might take it.



Natural gas

By Carol E. Curtis

EUGENE LUNTEY IS AN unlikely crusader. The amiable chairman of the American Gas Association speaks in an unemotional tone as befits a secure, successful executive, which he is: As president and chief executive of Brooklyn Union Gas Co., Luntey heads one of the country's biggest and best-run gas utilities.

But since taking the helm at AGA in 1981, Luntey has been in the thick of one of the industry's most heated controversies in years: natural gas decontrol. As AGA's chairman, Luntey represents gas pipelines and distribution companies, which oppose a speedup of decontrol, pitting them against the big oil companies, who produce two-thirds of the nation's gas and who are pressing for an immediate lifting of price controls for almost one-third of the nation's gas.

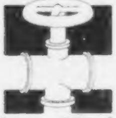
Under the Natural Gas Policy Act of 1978, the price of "new" gas—some 30% of total supplies—is being gradually decontrolled through 1985. "Old" gas, produced before 1977, will remain price-controlled.

Oil companies want decontrol of new *and* old gas, with new-gas controls coming off at a faster pace than in the 1978 law. They say higher prices are needed to encourage more exploration and to increase conservation. They also object to the wide range of natural gas prices now in effect—ranging from 50 cents per thousand cubic feet (mcf) to $9.50. By decontrolling gas now, they say, the industry will also be able to avoid a big price jump when controls come off completely in three years and natural gas prices rise to the equivalent of oil.

The producers would benefit mightily. Under immediate decontrol, the value of natural gas reserves would rise by an estimated $2 per mcf. There are some 195 trillion cubic feet of proven reserves, so the value of gas in the ground would increase by $390 billion in one fell swoop.

Luntey doesn't want that because, he says, resulting higher prices would cause many big industrial gas consumers to switch back to oil, which is suddenly competitive again. The heat of battle has also made him something of a consumer advocate—with an ax to grind, nevertheless. Gas bills would become unacceptably high, he says: "It's just like making every mortgage in the U.S. equivalent to the price of new mortgages. The cost to the public would simply be too great."

Eugene Luntey, chairman of the American Gas Association
The greatest danger of all: an excess profits tax on natural gas?



The kicker in this is apparent to all: Immediate decontrol, if accompanied by a windfall profits tax, could add from $30 billion to $60 billion, by some estimates, to the federal treasury in the first year alone, wiping out much of the government budget deficit—now estimated at $109.1 billion for fiscal 1982—at a stroke.

Because of the political sensitivity, President Reagan put the issue aside in November when he decided not to send a White House decontrol proposal to Congress. But the prospect of all that tax revenue is what has Luntey worried.

"There is a clear temptation," he says, "to use an excess profits tax to solve the problem of the budget deficit. But that is the greatest danger of all, because it is an indirect tax on the consumer." And that, he says, is "a concept that is clearly un-American."

Whichever side prevails, the fight is likely to be waged this spring—after the high heating bills of winter, but months away from the November congressional elections. Between now and then, Luntey will be spending much of his time pushing the AGA's line in Washington and elsewhere.

The fact is, Luntey has plenty to be worried about. Like the nation's electric utilities, gas pipelines and utilities

Natural gas

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Producers & pipeliners												
Panhandle Eastern	19.9%	1	24.3%	0.9	11.4%	2	10.2%	8.0%	27.3%	3	13.5%	3
So Natural Resources	18.8	2	19.2	0.5	11.3	1	10.7	6.6	22.8	5	14.2	2
Texas Eastern	18.7	3	19.3	0.5	11.1	5	9.7	4.9	23.2	4	13.2	4
Transco Companies	18.7	3	20.3	1.2	8.5	7	7.6	3.8	27.4	2	15.7	1
ENSERCH	17.9	5	24.0	0.6	13.5	2	10.2	5.9	30.5	1	9.8	6
Texas Gas Transmn	17.6	6	21.9	0.6	12.1	6	9.7	4.7	20.4	6	12.1	5
Tenneco	16.9	7	16.4	0.7	9.3	4	9.9	5.1	18.0	8	7.6	7
El Paso	6.4	8	27.6	1.7	9.1	8	4.0	3.0	18.8	7	–22.5	8
Medians	**18.3**		**21.1**	**0.7**	**11.2**		**9.8**	**5.0**	**23.0**		**12.7**	
Pipeliners & distributors												
Pioneer	32.9%	1	36.9%	0.4	22.0%	2	17.4%	9.6%	24.9%	4	25.2%	3
United Energy Resources	29.1	2	29.1	0.2	19.8	1	19.0	4.1	34.7	2	34.3	2
Houston Natural Gas	25.8	3	27.1	0.3	17.0	3	15.4	8.2	27.4	3	23.1	4
Arkla	19.2	4	22.4	0.5	11.0	5	10.0	7.5	20.6	8	11.0	7
InterNorth	18.6	5	19.1	0.7	10.0	4	10.2	6.5	20.6	9	12.9	6
Northwest Energy	18.0	6	19.5	0.5	10.8	6	9.2	5.4	24.0	5	13.2	5
Valero Energy	17.3	7	35.5	0.4	17.2	7	8.7	4.1	20.5	10	D–P	
Peoples Energy	14.6	8	13.7	0.7	8.2	8	8.1	4.6	23.8	6	6.8	8
Amer Natl Resources	13.8	9	14.5	0.9	7.1	10	7.3	5.4	20.8	7	3.3	10
Columbia Gas System	13.4	10	14.2	0.8	8.1	9	7.3	4.4	18.1	11	5.9	9
Centl Louisiana Energy	**		42.0	0.5	24.0		**	7.5	50.6‡‡	1	47.0‡‡	1
Medians	**18.3**		**22.4**	**0.5**	**11.0**		**9.6**	**5.4**	**23.8**		**13.1**	
Distributors												
Entex	28.2%	1	21.8%	0.8	11.3%	1	13.8%	4.4%	34.9%	1	27.2%	1
Oneok	20.9	2	19.9	0.8	10.6	2	11.3	4.3	29.5	2	15.3	2
Southern Union	19.9	3	20.3	0.6	9.0	3	10.4	3.1	26.0	3	11.4	4
NICOR	16.0	4	15.3	0.4	8.1	5	8.5	5.8	20.8	5	8.9	7
Minnesota Gas	15.5	5	14.2	0.6	9.4	4	9.4	3.7	21.1	4	7.5	11
Brooklyn Union Gas	14.1	6	15.5	0.7	9.3	6	8.2	5.2	18.2	10	8.7	8
Pacific Lighting	13.8	7	17.7	0.8	9.8	9	7.7	4.5	20.0	7	10.9	5
Consol Natural Gas	13.7	8	15.2	0.6	8.8	7	8.1	5.8	17.9	11	11.4	3
Laclede Gas	13.2	9	11.1	0.8	6.7	10	7.3	3.3	17.3	13	7.7	10
UGI	12.9	10	15.6	0.7	8.8	8	7.7	4.9	19.6	8	10.1	6
Atlanta Gas Light	11.8	11	9.0	0.8	5.6	12	6.6	1.7	20.2	6	8.1	9
WICOR	11.8	11	10.0	0.8	**		**	2.3	17.2	14	5.6	12
National Fuel Gas	11.3	13	14.0	0.8	8.3	11	7.2	3.7	17.1	15	5.2	13
Gas Service	10.4	14	8.5	0.9	5.6	13	6.2	1.6	17.6	12	3.6	15
No Indiana Pub Svc	9.6	15	9.8	0.9	5.5	15	5.4	6.0	19.5	9	–4.8	16
Washington Gas Light	9.4	16	10.3	0.9	6.2	14	5.7	3.6	14.9	16	4:5	14
Medians	**13.5**		**14.7**	**0.8**	**8.8**		**7.7**	**4.0**	**19.6**		**8.4**	
Industry medians	**16.5**		**19.1**	**0.7**	**9.4**		**8.7**	**4.7**	**20.6**		**10.5**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
‡‡Three-year growth. D-P: deficit to profit; not ranked. **Not available; not ranked.

have been hit by a sag in demand growth. While close to a million residential customers have switched from oil to gas in the past two years, each household has been using less—meaning growth is flat. Overall, consumers are using only about 5% more gas now than they did a year ago.

Result: Even though regulators have recently been more responsive to requests for rate hikes, Wall Street doesn't think all that much of the future of gas utilities. Their stocks are selling at around 80% of book value, only 10% better than those of their ravaged cousins, the severely depressed electric utilities. One of Luntey's other top priorities, indeed, is trying to convince regulators to allow a still higher rate of return on equity. He feels that 5½% above the current 14% average maximum is needed to get stock values back up.

Immediate decontrol, if linked to a windfall profits tax, could add $30 billion to $60 billion to the federal treasury in the first year alone, wiping out much of the budget deficit.

Despite the shortage scare of the mid-1970s, Luntey believes the U.S. has enough gas to last indefinitely—providing it is willing to tap new sources. The U.S. now consumes 20 trillion cubic feet of gas a year. According to government estimates, reserves are being replaced at about 90% of that, meaning gas reserves are slowly being depleted. By some estimates, probable reserves could run out in 36 years.

Luntey says that besides being notoriously unreliable, such estimates fail to take into account vast quantities of methane gas from unconventional sources such as coal, biomass, shale, geopressured formations and other sources. If properly tapped, such sources could supply close to half of the country's total gas requirements by the year 2000, Luntey believes. "Natural gas is a finite resource," he says. "But methane is a forever source of energy. We are going to be living off methane for a very, very long time."

So why not decontrol gas now and create the motivation for intensive development of this potentially inexhaustible resource—as well as cut the federal deficit in half? Foolish question. When free enterprise beliefs conflict with their pocketbook interests, all too many businessmen forget all about the principle. ■

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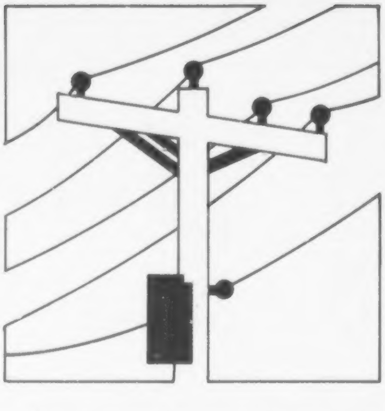
Electric utilities are now a no-growth industry. Who knows if they will ever be anything else?



Electric utilities

By Carol E. Curtis

RICHARD METZLER LIKES to tell about the utility executive who was asked how he was sleeping nights, given the industry's problems. "Like a baby," was the reply. "I sleep for two hours, then wake up and cry for two hours."

A utility consultant with Theodore Barry & Associates, Metzler has spent the last 11 years listening to the woes of utility executives and giving advice on how to deal with them. That advice now: "You can make a strong case that utilities have become a permanent no-growth industry."

Look at the numbers, says Metzler. In the early 1970s demand grew at an average rate of 7% a year. Now it's below 2%, and some utilities even show declines. According to the Edison Electric Institute, the industry trade association, the best that can be expected over the next decade is 3.6%, and if current trends persist, it could be much lower, possibly 1.6%, the EEI says.

Electric utilities rank near the bottom of American industry in profitability: Their average 11.8% return on equity is better only than such severely depressed industries as airlines and apparel. Their stocks are selling at an

Electric utilities

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Northeast												
Commonwealth Energy	13.4%	1	10.7%	0.7	5.6%	5	6.7%	3.8%	12.0%	12	6.8%	2
Long Island Lighting	13.4	2	13.8	0.7	9.0	1	8.1	15.3	15.0	1	2.6	9
New England Electric	13.4	2	14.6	0.9	6.8	9	6.5	6.9	11.7	13	6.8	2
Penn Power & Light	12.4	4	12.3	0.9	6.3	3	6.8	20.9	12.6	9	2.5	10
N Y State Elec & Gas	12.3	5	12.1	1.0	7.0	2	7.1	13.0	14.0	2	3.8	5
Consolidated Edison	11.8	6	13.5	0.7	7.5	6	6.6	9.0	10.0	14	9.9	1
Niagara Mohawk Power	11.6	7	13.2	0.9	7.5	4	6.7	9.8	13.6	5	2.7	8
Pub Svc Elec & Gas	11.3	8	10.2	0.8	5.9	10	6.3	7.7	13.2	6	3.8	5
Boston Edison	11.2	9	15.7	0.8	6.2	13	5.5	8.1	12.6	10	3.8	7
Delmarva Power & Lt	11.2	10	10.5	1.0	6.3	8	6.6	9.1	14.0	3	1.1	11
Rochester Gas & Elec	11.0	11	12.9	0.8	7.4	6	6.6	9.9	12.7	8	3.8	4
Phila Electric	10.2	12	11.4	1.0	6.2	11	5.8	11.0	13.0	7	0.2	12
Northeast Utilities	9.9	13	10.0	1.2	5.9	12	5.7	5.9	12.0	11	–2.1	13
General Public Utils	6.4	14	1.5	0.9	3.2	14	4.8	1.0	14.0	4	–8.4	14
Medians	11.5		12.2	0.9	6.3		6.6	9.1	12.9		3.3	
Midwest												
Indianapolis Pwr & Lt	14.2%	1	11.9%	0.8	6.2%	5	6.9%	14.2%	14.9%	14	5.1%	5
Public Service Indiana	14.2	1	12.2	0.8	6.2	1	7.2	19.2	15.8	8	5.6	2
Wisconsin Public Svc	13.5	3	12.8	0.7	6.0	6	6.9	7.8	15.3	11	7.1	1
Kansas Power & Light	13.0	4	13.2	0.7	6.8	8	6.8	12.6	17.3	5	4.5	7
No States Power	13.0	5	13.7	0.7	6.5	14	6.4	10.1	12.9	24	4.3	8
Wisconsin Pwr & Lt	13.0	6	14.6	0.8	7.0	10	6.7	9.1	15.8	9	5.6	3
Cincinnati G & E	12.8	7	11.3	1.0	6.5	3	7.0	9.5	15.1	12	4.0	9
Illinois Power	12.8	8	12.9	0.8	6.9	7	6.8	13.2	16.5	6	2.4	11
Cleveland Elec Illum	12.6	9	12.5	0.9	7.1	2	7.2	14.9	13.7	20	1.8	13
Consumers Power	11.9	10	12.6	0.9	6.2	17	6.2	9.7	13.4	22	4.9	6

Note: Explanation of Yardsticks calculations on page 51.

average of 70% of book value. Quite clearly, the industry is coping badly with the end of its growth era.

All this has brought the utilities a big credibility problem. After years of predicting brownouts, the opposite—excess capacity—has become the rule. Some utilities in the Midwest have reserve margins of as much as 40% or more. Nationwide the average is 30%. "You are really seeing a classic oversupply of a basic commodity," says Metzler. "We used to hear about the 'gas bubble.' Now there's an 'electricity bubble,' too."

Even after the recession and conservation have bottomed out, Metzler questions whether the old growth rates will ever return. The nation, he believes, is replacing its energy-intensive industrial output—basic industries such as steel and automobiles—with less energy-intensive industries such as electronics and health care. At the same time, Metzler points out, the nation's consumers are growing older—meaning fewer children and fewer new houses to consume electricity. The bottom line? For Metzler, a prospect that long-term growth rates will level off near the low end of the EEI's forecast, or 1.6% to 2% per year.

To be sure, not all utilities are doing poorly. In the booming Sunbelt, for example, Southwestern Public Service, El Paso Electric and Texas Utilities enjoy growth rates in the neighborhood of 4½%, with revenues and income rising at a healthy pace. But today even rapid growth can be a mixed blessing. The enormous risks associated with new construction, particularly of nuclear power plants, have created what Metzler sees as a "Catch-22" for those utilities able to justify construction: The new plant comes at such a heavy cost that building is often simply not worth the price. The numbers tell the story: Some 82,000 megawatts of capacity, 80% of it nuclear, have been canceled or deferred since 1975.

After years of predicting brownouts, the opposite—excess capacity—has become the rule. Some utilities in the Midwest have reserve margins of 40% or more. Nationwide the average is 30%, with long-term trends showing more of the same.

As a regulated monopoly whose rate of return is set by public utility commissions, utilities—no matter how hard-pressed financially—can always seek to recover losses through rate increases. The average return on common equity allowed by public utility commissions rose to 14.2% in 1980, up from 13.4% a year earlier. The speed with which rate hikes are approved has also increased, with the average time between filing and approval shrinking from 11½ months to 8¾ months. Where commissions have refused to grant the full amount of rate hikes, utilities are also showing an increasing willingness to resort to the courts to appeal rate cases.

Still, it is one thing to set a maximum return and another to achieve it. The gap between actual and allowed rates of return has widened, from 2.3% in 1975 to 2.8%.

One solution adopted by some of the utilities is diversification. Since 1980, the Securities & Exchange Com-

Electric utilities

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Union Electric	11.9%	**11**	11.3%	0.9	5.7%	**16**	6.2%	13.5%	13.5%	**21**	3.1%	**10**
Central Ill Pub Svc	11.8	**12**	11.0	0.8	5.8	**13**	6.4	10.8	16.5	**7**	1.2	**14**
Wisconsin Elec Power	11.8	**13**	11.3	0.8	5.9	**12**	6.6	8.2	13.7	**18**	5.2	**4**
Allegheny Power	11.6	**14**	13.9	1.0	7.3	**15**	6.3	8.3	15.5	**10**	0.8	**15**
Toledo Edison	11.5	**15**	11.3	0.9	7.3	**4**	7.0	18.0	17.5	**4**	–1.9	**21**
American Elec Power	11.0	**16**	10.6	1.2	6.2	**11**	6.6	8.2	17.9	**3**	–1.8	**20**
Dayton Power & Light	10.8	**17**	13.8	1.0	7.7	**9**	6.8	12.3	14.4	**16**	–0.8	**19**
Central Illinois Lt	10.7	**18**	12.1	0.7	5.5	**22**	5.5	8.1	17.9	**2**	0.1	**17**
Detroit Edison	10.3	**19**	11.9	1.0	6.0	**21**	5.8	11.7	13.0	**23**	2.4	**11**
Commonwealth Edison	10.3	**20**	11.7	1.0	6.2	**19**	5.8	12.1	13.7	**19**	–0.7	**18**
Ohio Edison	10.2	**21**	11.3	1.2	5.8	**18**	6.1	12.8	15.0	**13**	–3.5	**22**
Kansas City Pwr & Lt	10.2	**22**	10.0	0.9	4.7	**24**	5.4	12.6	14.6	**15**	0.2	**16**
Duquesne Light	9.7	**23**	11.2	0.9	6.0	**20**	5.8	13.0	14.1	**17**	–5.2	**24**
No Indiana Pub Svc	9.6	**24**	9.8	0.9	5.5	**23**	5.4	6.0	19.5	**1**	–4.8	**23**
Medians	**11.8**		**11.9**	**0.9**	**6.2**		**6.5**	**11.9**	**15.1**		**2.1**	
Southeast												
TECO Energy	15.2%	**1**	16.9%	0.7	7.3%	**2**	6.8%	8.1%	18.0%	**3**	8.6%	**2**
Duke Power	13.3	**2**	13.9	0.9	7.2	**1**	7.1	18.0	14.1	**11**	8.6	**1**
Florida Power	13.1	**3**	14.6	0.9	6.6	**8**	6.3	8.7	18.2	**2**	6.0	**4**
Florida Power & Lt	12.7	**4**	10.3	0.9	5.3	**7**	6.4	6.7	17.4	**5**	6.9	**3**
Middle South Utils	12.5	**5**	13.5	1.3	7.2	**5**	6.5	10.0	19.1	**1**	2.7	**9**
Carolina Pwr & Lt	12.3	**6**	13.7	0.9	6.8	**6**	6.5	16.0	15.9	**9**	2.9	**8**
So Carolina E & G	12.1	**7**	13.2	1.0	6.4	**9**	6.2	11.1	16.0	**8**	2.9	**7**
Baltimore Gas & Elec	11.7	**8**	12.4	0.9	6.8	**3**	6.7	11.1	13.0	**13**	3.3	**6**
Potomac Elec Power	11.7	**9**	12.4	0.9	6.7	**3**	6.7	10.9	13.8	**12**	4.0	**5**
Louisville Gas & Elec	11.2	**10**	14.1	0.8	6.6	**11**	6.0	10.2	16.1	**7**	0.9	**10**

Note: Explanation of Yardsticks calculations on page 51.

mission has received several utility requests to form holding companies—nearly all created for diversification. New business ventures embraced by the nation's investor-owned electric utilities include real estate (Public Service Co. of Colorado), appliance sales (Baltimore Gas & Electric), transportation (Iowa Power & Light) and fish farms (Public Service Electric & Gas Co. of New Jersey).

But the diversification game has a special risk for utilities that is not present in nonregulated businesses. Rate-setting commissions may choose to take the earnings of the successful nonutility enterprise into consideration when approving rate increases—meaning that the ratepayer, not the utility shareholder, would benefit via lower electricity bills. That has already happened at Montana Power Co., though the utility has appealed the decision. If other commissions follow suit, nonutility businesses could create as much of a problem as they were meant to solve.

Utility consultant Richard Metzler

An "electricity bubble" points up the long-term growth plight of utilities.

What then, if anything, could get utilities back on a growth track? Metzler slumps in his chair. He cites a study last year by the Electric Power Research Institute. It would take a 3½% annual growth in electricity use between now and 2000, says the study, just to maintain the present U.S. standard of living. That is 2% above current trends and more than the industry's own long-range forecasts. In short, if the EPRI and the industry are both right, Americans will not even use enough electricity to

Electric utilities

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Southern Company	10.8%	11	11.6%	1.1	5.7%	12	5.5%	8.0%	16.3%	6	–0.4%	11
Va Electric & Power	9.9	12	10.0	1.1	6.1	10	6.2	11.6	17.4	4	–0.8	12
Kentucky Utilities	8.2	13	8.6	0.9	5.7	13	5.3	8.2	15.0	10	–5.1	13
Medians	12.1		13.2	0.9	6.6		6.4	10.2	16.1		2.9	
Southwest												
Southwestern Pub Svc	18.5%	1	19.2%	1.0	8.3%	1	8.0%	12.0%	21.8%	2	7.4%	2
Central & South West	14.6	2	14.8	0.7	7.4	5	7.4	10.4	19.0	6	6.0	4
Houston Industries	14.1	3	13.6	0.8	7.2	4	7.6	7.3	28.4	1	7.5	1
Texas Utilities	14.0	4	16.2	0.9	8.3	3	7.7	13.5	19.7	5	6.1	3
Arizona Public Service	13.7	5	13.9	1.0	7.8	2	7.9	21.3	18.2	7	3.8	5
Gulf States Utils	12.5	6	14.3	1.1	7.3	6	6.4	12.0	20.6	3	3.0	6
Oklahoma Gas & Elec	10.9	7	10.9	0.9	6.0	7	6.0	8.8	19.8	4	–1.3	7
Medians	14.0		14.3	0.9	7.4		7.6	12.0	19.8		6.0	
West												
Pacific Pwr & Lt	12.2%	1	13.4%	1.2	7.0%	5	6.8%	13.4%	23.3%	1	2.2%	4
Southern Calif Edison	12.0	2	13.3	0.9	7.9	3	7.2	10.9	15.9	9	4.3	2
Pacific Gas & Elec	11.6	3	11.4	0.8	7.4	1	7.4	9.1	19.1	8	2.3	3
Utah Power & Light	11.4	4	13.7	0.8	7.9	4	7.1	18.7	23.1	2	1.2	5
Montana Power	11.2	5	13.9	0.8	8.0	6	6.7	11.5	20.6	4	0.5	7
San Diego Gas & Elec	11.2	6	14.1	0.9	8.5	2	7.4	9.3	20.7	3	1.2	6
Hawaiian Electric	10.7	7	10.3	0.8	6.0	7	6.0	4.5	19.4	7	5.4	1
Public Service Colo	10.0	8	12.7	0.9	6.9	9	5.9	7.9	19.6	6	–2.9	8
Portland Genl Elec	8.7	9	12.9	1.3	6.8	8	5.9	17.3	20.3	5	–6.8	9
Medians	11.2		13.3	0.9	7.4		6.8	10.9	20.3		1.2	
Industry medians	11.8		12.6	0.9	6.6		6.6	10.4	15.8		2.7	
All-industry medians	15.5		14.7	0.4	10.9		11.1	4.5	14.0		12.5	

Note: Explanation of Yardsticks calculations on page 51.

maintain their current standard of living over the next two decades. "You always wanted your children to have more than you had," says Metzler. "But maybe it's time to think about the unthinkable possibility that they won't." If so, then electric utilities may be in for tough times for some time to come. ■

It never rains . . .

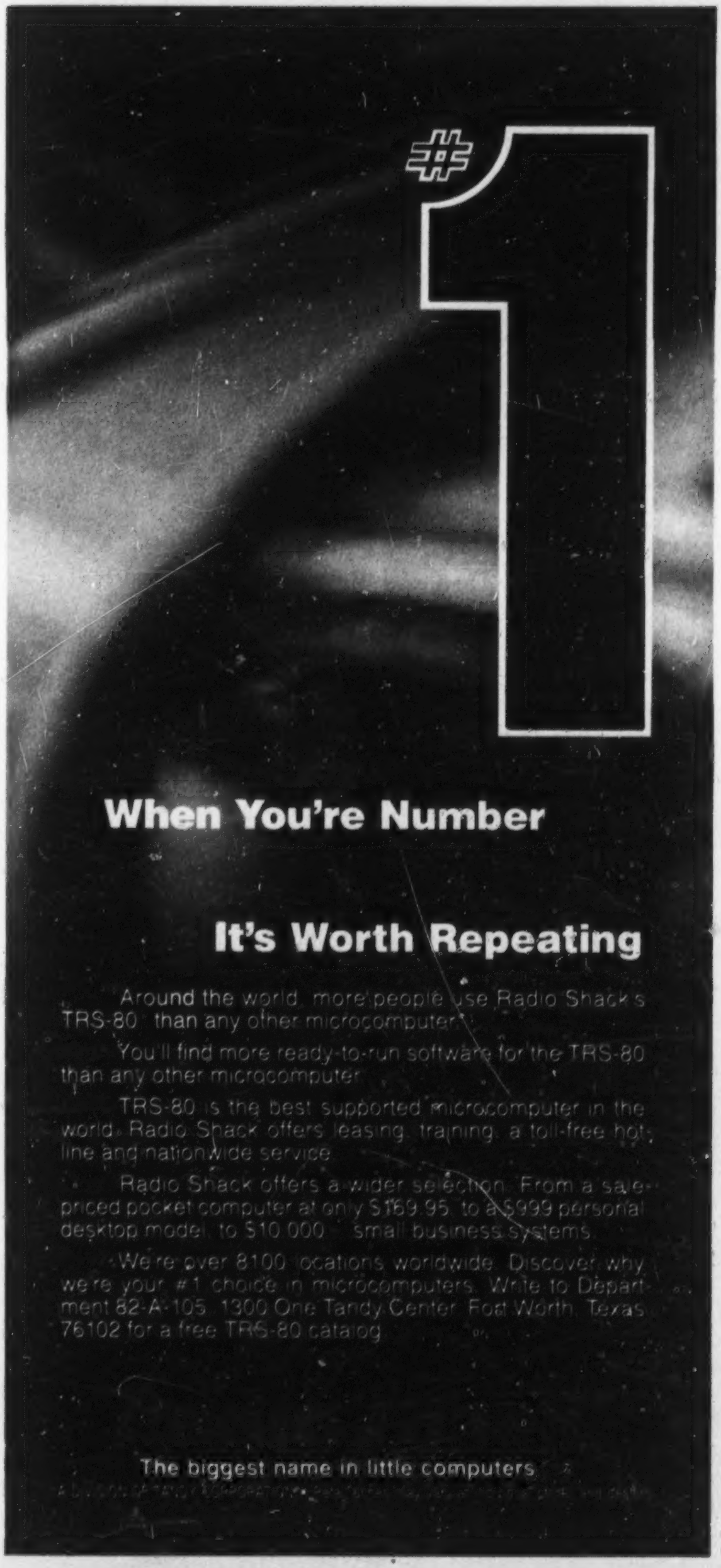
Interest rates are coming down and that's good for the utilities. Fuel costs are stabilizing and that's good, too. But now there's acid rain and that promises to be a terrible headache. "It's a very emotional issue," laments Frank Griffith, chairman of Iowa Public Service Co.

It's emotional in part because environmentalists know how to catch headlines with charges that the power industry is killing fish and upsetting the balance of nature.

The fact is that all rain has a certain acid content, but with the growth of auto usage and the spread of industrialization, the acid content tends to increase greatly. The problem is: How do you check it? You can't ban automobiles and power plants. Environmentalists are pressing Congress for an amendment to the Clean Air Act, which the Edison Electric Institute says could cost the industry $75 billion. The utilities don't have the money, so the public would have to pay through higher rates. But utilityman Griffith warns that the public might not get much for its $75 billion if Congress rushes into a law. "We just don't know enough yet about the subject," he says.

When Griffith calls it an emotional subject he's on the mark. One newspaper reported that acid rain is hardly a recent problem since acid ice is found in the Himalayas and Antarctica. A spokesman for the scientists who were supposed to have found the acid ice, however, said their findings were taken out of context.

From Canada, meanwhile, comes a steady barrage of complaints about clouds with American acid raining on Canada. But, the utilities suggest, Canadians may be less than candid about their real motives: They point out that it would be in the Canadians' interest to close down U.S. coal-burning plants to create a market for excess Canadian hydro power. Umbrellas, anyone?—**Laura Saunders**



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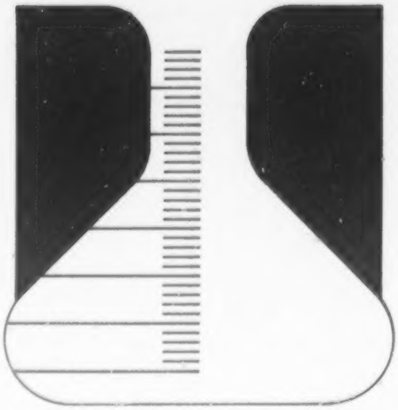
The chemical industry is hard at work looking for new frontiers—just as its old terrain threatens to become increasingly barren.



Chemicals

By William Baldwin

AT MONSANTO they're measuring parts-per-trillion impurities in silicon crystals. At Du Pont they're studying brain chemistry. Dow scientists are concocting new plastics from old, overlooked raw materials like ethyloxazoline.

What's going on? Very simply, after a generation of skimping on research and development, chemicals are becoming an industry of search and discovery once more.

From 1960 to 1980, R&D spending by U.S. chemical companies fell from 3.8% of sales to 2.3%. Now that proportion is climbing again. Monsanto's R&D budget increased from $136 million in 1978 to $229 million in 1981 and will be perhaps $260 million this year. E.I. Du Pont, historically the leader in research, is betting heavily on "life sciences," which means everything from weed killers to antiviral drugs. Du Pont's spending on life science research this year will be something like $160 million, up about 75% from 1980, out of a 1982 research and development budget that will approach $750 million, including Conoco's share.

The timing is logical. If the Saudis want to work downstream from their oil, grabbing a big chunk of the petrochemicals market, let them have it. Bulk chemicals were never very profitable anyway—the nicest margins come from high-tech chemicals, often crossing the line into pharmaceuticals, like the preservatives, laboratory chemicals and radiopharmaceuticals Mallinckrodt specializes in. Even Stauffer, a classic commodities company that makes sulfuric acid and soda ash, nowadays wants to be called a "broad-based specialties" chemical company. Its R&D spending is up from $44.3 million in 1980 to a budgeted $60 million in 1982.

D. William McDonald, a Ph.D. organic chemist and futurist at Monsanto, sees another reason for the research frenzy. "In the 1970s the chemical industry was hit hard on two fronts. One was environmental regulation, forcing the industry to spend hundreds of millions of dollars in research and capital. The second was the energy crunch. Modifying processes to use less energy consumed a lot of technical manpower and capital." Those tasks, he says, are now largely accomplished.

Make no mistake, the chemical companies know what the stakes are. If computers will be the world's biggest industry by the turn of the century, chemical technology could be right up there among contenders for the mega-industries, crossing over the fields of medicine, energy and food production. In fact, the computer industry itself has a big stake already in such "chemicals" as wafer silicon. Monsanto, which claims to be a world

Melting down polysilicon at Monsanto for semiconductor chips
From one future mega-industry to another?

leader in wafer production, has a research staff of 150 just for silicon and other electronic products. The profit potential is enormous: Wafers account for perhaps 5% of the cost of finished computer chips, says silicon research manager Harold Korb, yet the chips have a reject rate of up to 50%—partly because of impurities that creep in during chipmaking.

Using ion detectors that can count single atoms, Korb's scientists are deliberately planting oxygen impurities on the inside of the wafer in the hope that they will scavenge the mischievous atoms of metal contaminants floating around in the chip furnace. That would leave the top side of the silicon computer chip, where all the action takes place, crystal clean.

At Dow Chemical, R&D outlays in 1982 will approach $470 million, with some of that increase representing the inclusion of the recently acquired prescription drug business of Richardson-Merrell. That means research and development is taking close to 3.4% of each Dow sales dollar. Doesn't sound like much compared with 6% at IBM, but that percentage represents a $150 million increase from 1980 when R&D ran to 3% of sales.

Says David P. Sheetz, head of domestic R&D for Dow: "We've become heavily committed to areas that are more research-intensive than mainline chemicals. We will of necessity have to put a higher percentage of the sales dollar into research." Sheetz sees two wide-open frontiers for chemical technology research from now to the turn of the century: genetic engineering in the life sciences and organic catalysts for industry. Catalysts—those "bystander" compounds that bring about chemical reactions without being consumed themselves—are critical to petrochemicals, plastics and pesticides. Organic catalysts—enzymes—come from living organisms. Someday, says Sheetz, chemists may be routinely synthesizing large complex catalysts that work better than natural ones.

Trying it with Tribble

At Du Pont's laboratories in Wilmington, Del., R&D doesn't just mean beakers and retorts. It's also color-coded, three-dimensional molecules dancing across television screens. Here, two leading edges of technology intersect as scientists employ computers to extend the frontiers of biochemistry.

Du Pont scientists have a computer program called Tribble (named after the furry creature on *Star Trek*) that communicates with users in "friendly" language—"it practically comes up and licks you in the face," says David A. Pensak, a 33-year-old mathematician and chemist.

Tribble's 2-million-line program allows scientists like William C. Ripka, 42, a pharmacologist, to study the pain-quenching "opiate receptors" of the brain. His goal: designing a drug that will plug into the receptors, hoped to be as powerful as opium yet not addictive. Ripka is basing his work on the recent discovery that the brain has its own natural chemicals—called enkephalins—that fit those receptors. Similarly, he says, "the basis of drug action is often the interaction of a small molecule like morphine with the larger receptor." Enkephalins aren't useful as drugs because they would crumble apart in the body before reaching the brain. Morphine is addictive. Both, however, provide clues.

Tribble speeds the search at various steps. It uses the equations of quantum physics to predict the size, shape and habits of the smaller molecules. In dealing with the much more complex and only dimly understood receptors, it tries to make a sketch based on their affinity for various small compounds. "It's like trying to predict how beautiful a woman is by looking at all the men she goes out with," says Pensak. Enkephalins, receptors, giant computer programs—they're far afield from the petrochemicals one expects of a Du Pont. But this kind of research may be paying royalties long after Conoco's last well runs dry.—**W.B.**

Chemicals

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Diversified												
Dow Chemical	19.3%	**1**	14.7%	0.7	8.9%	**3**	11.7%	5.7%	16.4%	**3**	8.5%	**7**
Diamond Shamrock	18.0	**2**	8.0	0.6	5.5	**5**	10.8	3.0	20.6	**1**	5.5	**12**
Stauffer Chemical	18.0	**3**	17.9	0.3	12.5	**2**	12.3	9.5	13.2	**6**	11.5	**5**
E I du Pont	16.6	**4**	15.8	0.2	13.3	**1**	12.8	5.3	14.0	**5**	12.6	**3**
Morton-Norwich	15.6	**5**	16.4	0.3	11.9	**4**	11.4	5.7	10.2	**15**	20.2	**1**
W R Grace	15.3	**6**	19.3	0.6	12.0	**6**	10.6	5.4	10.7	**14**	7.9	**8**
Union Carbide	13.9	**7**	13.7	0.3	9.8	**8**	9.8	6.3	12.7	**7**	6.0	**11**
Celanese	13.1	**8**	13.3	0.5	9.4	**12**	8.9	4.0	11.2	**10**	11.6	**4**
Hercules	13.0	**9**	12.2	0.3	9.3	**7**	10.0	4.7	11.0	**12**	7.0	**9**
Pennwalt	13.0	**10**	9.0	0.4	6.9	**11**	9.3	3.0	11.1	**11**	9.9	**6**

Note: Explanation of Yardsticks calculations on page 51.

Du Pont's R&D budget is reviving after a decade in which it dwindled from 6.6% of sales to 3.3% in 1979. It's not that the company had become disillusioned with the payoffs from science. In the past 20 years, Du Pont researchers have put 80 new products on the market; in 1980 those innovations generated 25% of sales and 35% of earnings. But through most of the 1970s the company was struggling with a desperate overcapacity in its mainline fibers business.

It was Du Pont, after all, that invented basic research at the industrial level. Until 60 years ago the company was just a gunpowder maker. Flush with profits from World War I, it expanded its research laboratory and hired away a brilliant organic chemist from Harvard, Wallace Carothers. His inquiries into how small molecules combine to form long chains led to the introduction of nylon in 1938, indirectly to the earlier discovery of neoprene synthetic rubber, and later to today's polyester and Teflon products.

Du Pont, then, is returning to its history. Its scientists are probing on such frontiers as quantum chemistry, optical crystals, virology and immunology. Du Pont neurobiologists are studying brain chemistry—research you might expect from a medical institution. Why? Because Du Pont already has a patent on one of the few antiviral drugs, amantadine; and its brain-chemistry studies may lead to commercially valuable painkillers *(see box, p. 114)*.

Other projects will pay off only in decades—or perhaps never. Du Pont has been working on interferon—genetic-engineering cancer treatment—since 1971 without getting close to commercialization. It's clear, though, that more and more of Du Pont's business will relate to biochemistry. Life sciences—drugs, medical instruments and weed and bug killers—already account for $1.5 billion in annual sales, or about 10% pre-Conoco.

What's happening in chemistry is part of a larger trend that includes a revived popularity of science on campuses, an explosion of venture-capital investment, and the enactment last summer of a 25% federal tax credit for increases in R&D spending. Chemistry accounts for a sixth of the $34 billion spent annually on industrial research, and it may get a larger share of future dollars. "Look at some of the major social problems—the cost of materials and the cost of energy," says Dow's Sheetz. "When you look around for ways to solve those problems, you come back to chemistry as a major tool."

The future will not wait. "NCR damn near went under because they were slow in converting from electromechanical to electronic cash registers," reflects Bill McDonald, the long-range R&D planner at Monsanto. "It's not only a matter of improving your profits 10% a year to keep the investment analysts happy. It's a matter of corporate survival." ■

Chemicals

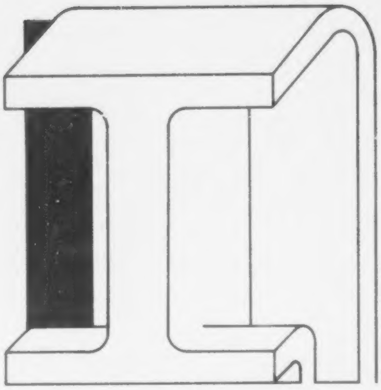
Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Rohm & Haas	12.8%	**11**	12.9%	0.3	10.1%	**10**	9.7%	4.8%	10.9%	**13**	13.6%	**2**
American Cyanamid	12.7	**12**	12.5	0.4	9.6	**9**	9.7	4.9	12.3	**9**	4.0	**13**
Allied Corp	12.6	**13**	20.6	0.4	12.6	**13**	8.2	6.0	16.5	**2**	6.8	**10**
Monsanto	10.8	**14**	10.8	0.4	7.6	**14**	7.9	4.6	12.6	**8**	–0.5	**14**
Reichhold Chemicals	7.5	**15**	9.8	0.4	7.2	**15**	6.2	2.1	15.8	**4**	–4.7	**15**
Medians	**13.1**		**13.3**	**0.4**	**9.6**		**9.8**	**4.9**	**12.6**		**7.9**	
Specialized												
Lubrizol	25.8%	**1**	17.8%	0.0	15.9%	**2**	23.9%	8.5%	15.9%	**5**	15.4%	**8**
Nalco Chemical	25.5	**2**	25.9	0.0	25.2	**1**	24.7	12.3	14.8	**9**	15.6	**7**
Sun Chemical	24.0	**3**	19.9	1.0	11.6	**5**	14.9	5.5	13.5	**11**	42.0	**1**
Freeport McMoran	23.5	**4**	30.9	0.3	19.1	**3**	16.9	21.1	17.2	**3**	18.1	**5**
Cabot	22.8	**5**	21.2	0.4	14.6	**4**	15.0	6.8	24.1	**2**	37.8	**2**
Dexter	19.2	**6**	16.4	0.4	11.4	**6**	14.3	4.7	27.6	**1**	18.3	**4**
Air Prods & Chems	19.2	**7**	18.9	0.5	10.0	**12**	11.1	8.0	17.0	**4**	19.0	**3**
Mallinckrodt	18.5	**8**	15.4	0.2	13.0	**7**	14.0	8.1	15.1	**8**	15.6	**6**
Intl Minerals & Chem	17.9	**9**	16.6	0.5	11.0	**10**	12.1	7.7	12.1	**14**	8.4	**12**
Thiokol	17.8	**10**	14.8	0.0	11.7	**8**	13.1	4.9	13.1	**13**	15.2	**9**
Witco Chemical	17.5	**11**	14.0	0.5	9.1	**11**	11.9	2.9	15.8	**6**	13.3	**10**
Ethyl	16.7	**12**	13.4	0.3	9.6	**13**	10.8	5.1	11.7	**15**	8.6	**11**
Ferro	14.5	**13**	9.2	0.3	7.8	**9**	12.8	2.9	14.5	**10**	7.2	**13**
Liquid Air	14.1	**14**	13.2	0.4	9.3	**14**	10.3	7.0	13.2	**12**	6.6	**14**
Williams Companies	10.8	**15**	14.2	0.6	8.4	**15**	6.7	6.6	15.7	**7**	–0.8	**15**
Akzona	4.8	**16**	4.6	0.7	3.8	**16**	4.0	1.2	7.5	**16**	–6.8	**16**
Medians	**18.2**		**15.9**	**0.4**	**11.2**		**13.0**	**6.7**	**15.0**		**15.3**	
Industry medians	**16.6**		**14.7**	**0.4**	**10.0**		**11.1**	**5.4**	**13.5**		**9.9**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.

Poignant it may be—unsettling, even. But it's hard to fault the logic of the drive to diversify what was once America's mightiest industry.

Steel



By Jeff Blyskal

REMEMBER THE OLD SAW about the fellow who never could get his leaky roof fixed? When it was raining, he didn't want to go up there. When it wasn't raining, he didn't have to. For years, diversification of the U.S. steel industry was something like that. When steel was in the dumps, who could afford to diversify? When it was booming, who would want to?

No more. Much of the steel industry seems to have made up its mind—diversify. Consider:

- Even without Marathon Oil, U.S. Steel will still get nearly one-third of its revenues and 30% of its pretax profits this year from nonsteel products. With Marathon, fully 51% of sales and 83% of profits would come from operations such as oil drilling and refining and agricultural chemicals—not from the steel business.
- Of the other nine basic steel companies listed in the tables, Armco and LTV are already well diversified; Kaiser has announced it is getting out of steel production; and National and Republic are moving away from steel. Is this the end of an era, a watershed for what was once the mightiest industry in America?

Perhaps, but the leaky-roof syndrome still prevails with some companies, of course. Take $614 million (revenues) McLouth Steel, heavily dependent on sales to the automobile industry and with nearly 90% of its business in steel. Why hasn't McLouth diversified? Even if it had wanted to, says a spokesman, "the financial situation precludes anything major." Result: McLough filed for protection under Chapter 11 of the bankruptcy laws in early December.

But other companies look at the matter differently. National Steel has moved into the savings and loan business with the acquisition of $3 billion (assets) United Financial Corp. of California, New York's $2.6 billion (assets) West Side Federal and Florida's $1.3 billion (assets) Washington Savings & Loan (FORBES, Oct. 26, 1981). Cleveland-based Republic Steel, for years one of the least-diversified big steel companies, has formed a joint venture with Gulf Oil to develop Republic's 180-million-ton coal properties in Alabama. Republic also got into the property and casualty insurance business with a British partner, Hogg Robinson Group Ltd. Smaller ($376 million revenues) Lukens Steel is even looking for an acquisition outside the steel business.

The numbers tell why: Of the big (over $1 billion sales) nonspecialty steel producers, Armco, one of the most diversified steelmakers, is at the top in five-year profitability with a 13.1% return on equity. (Overall in the industry, of course, nine of the top ten

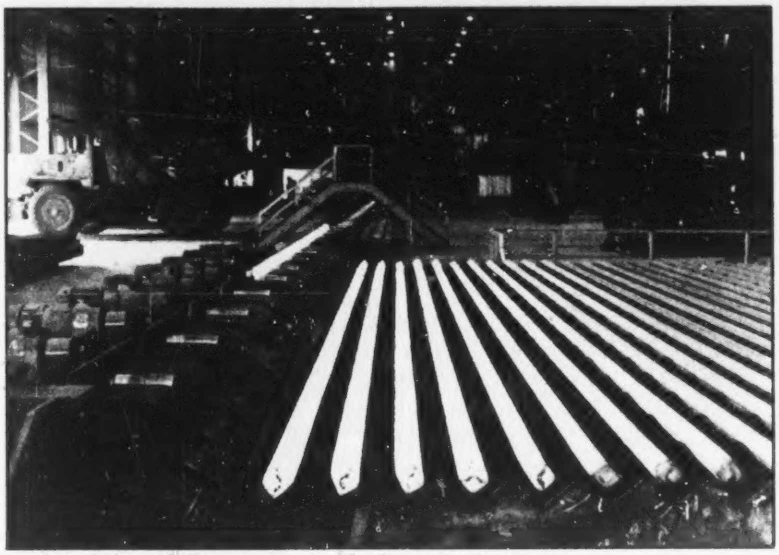
Steel

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Worthington Inds	33.7%	1	26.6%	0.7	16.9%	**2**	21.8%	5.3%	28.7%	**2**	30.7%	**2**
Nucor	31.8	2	18.2	0.2	15.2	**1**	23.4	6.2	24.5	**3**	31.1	**1**
Carpenter Technology	19.4	3	17.8	0.0	16.4	**3**	17.8	8.2	14.2	**5**	19.8	**3**
Athlone Industries	18.8	4	24.7	1.3	13.6	**10**	10.0	4.4	5.3	**26**	11.3	**8**
Earle M Jorgensen	18.4	5	19.7	0.2	16.7	**4**	15.6	6.8	11.2	**10**	14.4	**6**
Colt Industries	17.9	6	17.4	0.4	12.2	**8**	11.9	5.1	14.7	**4**	11.6	**7**
Central Steel & Wire	15.7	7	19.3	0.0	19.5	**5**	15.5	4.3	11.0	**11**	14.6	**5**
Crane	15.5	8	13.2	0.8	9.0	**12**	9.5	3.1	6.6	**23**	6.4	**12**
Copperweld	14.7	9	21.8	0.3	15.5	**9**	10.8	6.1	11.9	**8**	4.9	**13**
NVF	14.4	10	11.6	1.9	8.1	**7**	11.9	3.1	12.4	**7**	9.5	**10**

Note: Explanation of Yardsticks calculations on page 51.

T five-year profitability slots in the tables are held by producers in the extremely lucrative specialty steel business, as distinguished from basic steel.) And the only reason U.S. Steel was number 21 in five-year profitability was that it took a massive writedown of closed steel facilities in 1979. Big Steel's 1981 return on equity, however, was 21.9%. Forbes did not rank LTV this year because of a lack of restated information due to its sizable nonsteel spinoff.



Newly rolled steel billets at an Armco facility in Kansas City
Is this where the future still lies?

Armco has been diversifying for over ten years. "Our planning simply indicated we would not be able to achieve the return to the stockholders we had hoped for with all of our assets in the steel business," says CEO Harry Holiday. Basic steel is now only 36% of Armco's sales, and Holiday's goal is to reduce that even further to 28% by 1984. While some of Armco's other divisions, such as specialty metals and oilfield equipment and production, are steel-related, their strong links to the oil and aerospace businesses set their cycles off from that of steel. The payoff: When Armco's basic steel operating earnings collapsed, from $114 million in 1979 to $43 million in 1980, corporate net was up 5%.

It took a long time, says Holiday, for Armco to decide to take the plunge back in 1971. "We had to get the management to recognize it had the capability to run something outside the steel business," he says. "But we have really broken out of the steel-expenditure syndrome over the past five years."

In fact, why would any steel company *not* be diversifying as fast as it can? Talk to steel believer Donald Trautlein, the 55-year-old chairman of Bethlehem: "There's no reason steel shouldn't be profitable with the investments we have made. I don't mind seven lean years as long as we get seven fat ones. But every time there's a good steel market, we've been either under price control or jawboned down."

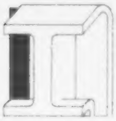
Backing up his faith in the future, Trautlein is spending $750 million on

Steel

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Armco	13.1%	**11**	14.1%	0.2	10.6%	**11**	9.8%	4.2%	13.1%	**6**	10.0%	**9**
Northwestern Steel	12.3	**12**	10.8	0.0	10.6	**6**	12.2	6.0	9.5	**17**	2.0	**15**
Kaiser Steel	12.1	**13**	9.5	0.4	7.4	**13**	8.3	6.2	7.9	**21**	7.9	**11**
Cyclops	11.0	**14**	16.2	0.5	11.7	**14**	8.2	2.5	10.7	**12**	15.7	**4**
National-Standard	8.8	**15**	1.0	0.2	1.3	**16**	7.0	0.4	8.9	**19**	1.3	**16**
Interlake	8.6	**16**	16.1	0.4	12.1	**15**	7.3	5.2	11.6	**9**	–1.9	**20**
Inland Steel	8.4	**17**	7.0	0.6	4.6	**18**	6.1	2.4	10.2	**15**	–1.3	**19**
Lukens Steel	7.6	**18**	8.1	0.2	6.7	**17**	6.4	2.7	8.0	**20**	0.3	**17**
Republic Steel	7.4	**19**	13.6	0.4	9.0	**19**	5.5	4.6	10.5	**13**	3.8	**14**
National Steel	6.9	**20**	5.9	0.5	3.9	**21**	5.0	2.1	10.3	**14**	–1.3	**18**
United States Steel	6.3	**21**	21.9	0.4	15.2	**20**	5.2	8.3	9.4	**18**	–6.4	**21**
Wheeling-Pitts Steel	3.9	**22**	4.6	0.7	3.6	**23**	3.6	1.6	6.4	**24**	–9.3	**22**
Bethlehem Steel	3.8	**23**	9.0	0.4	7.4	**22**	3.8	3.2	7.5	**22**	–17.8	**23**
Keystone Consolidated	0.3	**24**	5.2	0.5	4.7	**24**	1.6	1.4	5.8	**25**	–49.4	**24**
McLouth Steel	def	**25**	def	1.2	def	**25**	def	def	9.9	**16**	P–D	**25**
LTV	**		45.3	1.9	19.4		**	4.9	30.7‡‡	**1**	D–P	
Industry medians	**12.1**		**13.9**	**0.4**	**10.6**		**8.3**	**4.4**	**10.4**		**4.9**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
‡‡Three-year growth. P-D: profit to deficit. D-P: deficit to profit; not ranked. def: deficit. **Not available; not ranked.



modernizing and upgrading his steel facilities over the next five years. Bethlehem already is one of the purest steel plays; about 70% of its revenues comes from basic steel, and if you add manufacturing of box cars, forgings, wire rope and industrial fasteners, some 90% of sales is closely linked to the steel cycle.

Because of that, points out Paine Webber aluminum and steel analyst Peter Marcus, Bethlehem's profits are subject to wild movement. "Each 3% swing in steel's price/cost margin affects earnings by $2.75 per share," he says. And there are more swings down than up; Bethlehem's net margins have been falling for the past 20 years now, from 6% in 1961, to below 2% in 1980.

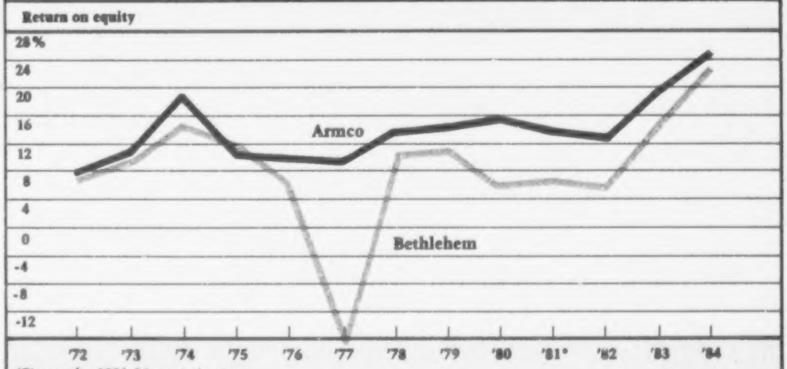
So why does Trautlein stick with it? He thinks the Reagan Administration's economics are on the right track, and sooner or later pent-up demand for capital equipment will explode. "If and when capital spending picks up," he says, "we should be well positioned for it." Obviously, Bethlehem can't spend three-quarters of a billion dollars on steel mills *and* spend big to diversify. Says Trautlein: "We've made a decision to improve our position in steel before possibly looking elsewhere. Right now we have a scenario that plays out with business conditions being good for steel." But even he hedges a little: "If that doesn't happen, you have to change your strategy."

Cyclicality dictates some good years to come. In fact, Trautlein and Holiday both see a pickup this summer. Marcus believes 1984 or 1985 should be a shortage-of-capacity year in which there will be a steel earnings "explosion." But, Bethlehem's return on equity, even in the explosion year of 1984, could still be below diversified Armco's *(see chart)*.

You pay your money and make your choice. Bethlehem is betting—for now—on a future in which steel's survivors, with their modernized energy-efficient plants, will gain market share spectacularly at the expense of today's fainthearted. Armco's Holiday is saying steel may *never* be what it once was. By their actions, a good many of Holiday's colleagues are saying they agree with him. ■

A tale of two strategies

Which is the wiser strategy—Armco's diversification or Bethlehem Steel's steadfast dedication to basic steel? Historically, Armco's return on equity has been better than Bethlehem's even in the steel boom year of 1974, and the spread has widened. The real rewards of diversification, of course, come in the off years, when steel earnings fall. But Bethlehem is looking ahead, toward the good years. What will happen then? Even if 1984 is indeed a boom year, Armco could still outpace Bethlehem in ROE, based on earnings estimates of analyst Peter Marcus.



*Figures for 1981-84 are estimates.
Source: Paine Webber, Standard & Poor's, Forbes

A blooming optimist

Most analysts are predicting better times for steel, but few forecast a boom. Except for Paine Webber metal analyst Peter Marcus, who believes there will be a steel shortage in the mid-1980s, with earnings of major U.S. companies doubling or trebling.

Of course, there's more to Marcus' projections than that, for which he refers you to his monthly *World Steel Dynamics* report (subscriptions cost $4,500 per year). The shortage will not come, says Marcus, until a U.S. economic recovery pulls up the economies of the West and world steel output rises to 520 to 540 million tons per year—about 18% higher than today's levels—or roughly 94% of capacity.

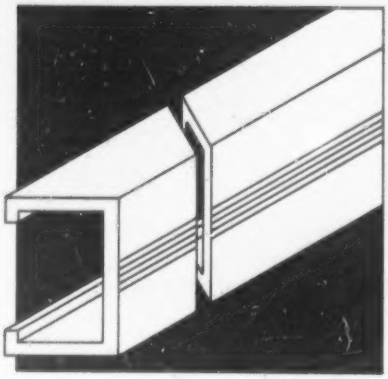
But, that's only part of the story, Marcus says. The rest of the equation is that capacity is not rising: "The [capital] funds flowing to the developed world's steel industry are no longer adequate to maintain steel-making capacity."

Paine Webber's Peter Marcus
More than a recovery—a boom.

For now, Marcus is bearish on the steel stocks. But the long-term outlook is something else. He sees Bethlehem earning $16.50 a share in 1984 (compared with an estimated $4.50 in 1981), U.S. Steel $15 (*vs.* $12), Armco $11.75 (*vs.* $4.80) and Inland $17.50 (*vs.* $3.25). Republic's earnings could nearly triple to $22 a share, and National should make $22.50, Marcus says.

But even an enthusiastic bull like Marcus (who seems to be almost an aluminum/steel industry obsessive, from the acres of statistics he generates and analyzes right down to his business cards, which are stamped out of sheet aluminum) predicts that sooner or later almost every U.S. steel company will diversify. Says Marcus: "The industry seems to need successful nonsteel businesses to contribute to the flow of capital to its steel businesses."—**Jeff Blyskal**

Those who ignore history are doomed to repeat it. The big metal mining companies keep ignoring it, so they keep repeating it.



Nonferrous metals

By Howard Rudnitsky

WHATEVER HAPPENED to the "golden age"? Whatever happened to "strategic" metals as an inflation hedge? Whatever happened to "long-term shortages"?

Gone, alas. And those dismal 1981 earnings for producers of nonferrous metals—most of them down 30% to 60% from 1980—may not be the bottom. "In 1980 many people forgot that these are cyclical industries," says George Cleaver, nonferrous metals analyst at Merrill Lynch. "They were reminded in 1981. And for many companies 1982 will be worse."

Even giant Inco last year had its first quarterly loss in almost 50 years—and will lose money in 1981 as a whole. Contrast that with 1980, when Inco earned $219 million. Or take Asarco, which gets most of its earnings from copper and silver. Wall Street fears it may have to cut its $1.40 dividend. And Amax' harried chairman, Pierre Gousseland, has deferred two costly molybdenum projects, but other metals companies still have a 35% increase in molybdenum capacity coming on stream shortly. This at a time when the price of molybdenum has fallen from its mid-1980 high of over $10 a pound to as low as $5 in certain contracts.

In fact, only diversified companies such as Boston-based Cabot Corp., with its thriving energy business, and a few others, either diversified or more heavily in markets with strong demand, may get through 1982 relatively unscathed.

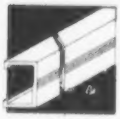
What happened? "The same thing that happened in 1973 and 1974, which was no different from what happened four years before that," says Cleaver. "History does repeat. Not exactly, but approximately." He means that mining is what it's always been:

Nonferrous metals

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Cabot	22.8%	**1**	21.2%	0.4	14.6%	**2**	15.0%	6.8%	24.1%	**2**	37.8%	**1**
Handy & Harman	21.7	**2**	21.1	0.5	14.7	**3**	14.4	3.6	11.9	**11**	16.0	**7**
Alcan Aluminium	20.7	**3**	14.7	0.3	9.9	**4**	13.5	7.1	14.8	**6**	34.8	**2**
Engelhard	19.7	**4**	20.0	0.1	18.0	**1**	17.6	2.8	38.7‡‡	**1**	18.3‡‡	**5**
Kaiser Alum & Chem	17.7	**5**	13.6	0.4	9.1	**11**	10.3	5.7	13.7	**8**	24.4	**4**
Alcoa	17.0	**6**	12.6	0.3	9.4	**6**	11.5	7.1	13.7	**7**	24.5	**3**
Newmont Mining	14.6	**7**	11.6	0.1	9.0	**9**	10.4	12.1	10.5	**13**	7.0	**10**
NVF	14.4	**8**	11.6	1.9	8.1	**5**	11.9	3.1	12.4	**10**	9.5	**9**
AMAX	13.8	**9**	11.4	0.5	8.6	**7**	10.5	10.8	16.4	**4**	9.5	**8**
Reynolds Metals	13.1	**10**	10.8	0.6	6.8	**13**	7.7	3.9	13.5	**9**	18.1	**6**
Commercial Metals	13.0	**11**	11.3	0.2	9.4	**8**	10.4	0.8	18.4	**3**	2.8	**13**
Revere Copper	12.6	**12**	9.5	0.8	6.9	**14**	6.9	2.4	9.2	**14**	D–P	
Hanna Mining	11.6	**13**	12.5	0.1	10.9	**10**	10.3	16.6	4.9	**17**	5.4	**12**
ASARCO	10.7	**14**	4.2	0.2	3.9	**12**	8.7	4.0	6.2	**16**	6.6	**11**
Phelps Dodge	6.6	**15**	7.9	0.5	5.8	**15**	5.1	6.0	6.5	**15**	–4.8	**14**
Inco	6.4	**16**	2.8	0.5	3.6	**16**	4.6	2.7	10.7	**12**	–13.1	**15**
Gulf Resources & Chem	def	**17**	def	1.2	def	**17**	2.9	def	15.1	**5**	P–D	**16**
Industry medians	**13.8**		**11.6**	**0.4**	**9.0**		**10.4**	**4.0**	**13.5**		**9.5**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
‡‡Three-year growth. P-D: profit to deficit. D-P: deficit to profit; not ranked. def: deficit.

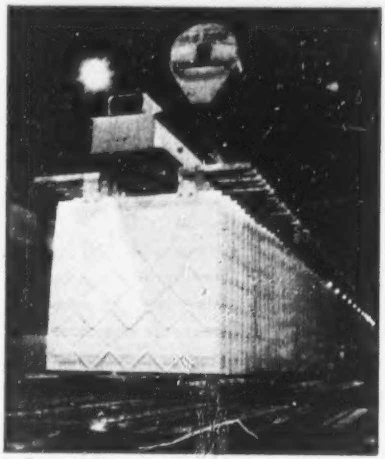


an industry with high fixed costs and tremendous leverage, both up and down. When demand is strong and prices soar, the companies make a fortune. When demand is weak and prices fall below those high fixed costs, everybody takes a bath.

Inflation has pushed those costs higher than ever. A new copper or molybdenum mine costs nearly $2 billion to develop these days. Think of it: You need a gross profit of $300 million a year just to cover the interest on a billion dollars. That's the other side of inflation, forgotten in the inflation-hedge mania.

Here's an irony: The aluminum companies fared almost as badly as the mining companies and worse than the steel industry. Aluminum was the industry that was crowing a couple of years ago that it had coped with overcapacity. After all, didn't aluminum serve growing markets such as containers, aerospace, construction and transportation?

Trouble was, high interest rates almost destroyed the transportation and construction industries last year while, at the same time, the industries' costs kept rising. Hydro-power costs affecting nearly one-third of domestic production in this energy-intensive industry rose by nearly 150% when the Bonneville Power Administration in Snohomish, Wash. raised its rates (Bonneville is scheduled to put through additional increases in 1982). Wages went up and interest costs mounted sharply, largely because of the growth in inventories, which late in 1981 were close to 3 million tons—about 40% above what they should be.



Refinery plant processing copper
Down again, but this time not out?

In 1975 it was different. Then copper was about the sickest of all, with 1.5 million tons overhanging the world market and prices down to 64 cents per pound. It's better this time; even with copper selling at 80 cents per pound—down over 50 cents from its 1980 high—"inventories are in pretty good shape," says Jack Thompson, president of Newmont Mining. And as Asarco President Ralph Hennebach points out: "In 1975 the overhang was 2 times as large as it is today."

But better than 1975 does not mean good. This time, some of the mining companies—in copper and other metals—are weakened financially, locked into big spending programs for modernization and pollution control. That's nice if you earn a decent return, not so nice if you don't.

What's ahead? Cleaver, a superbear, sees four solid years of hard times. Many of his Wall Street colleagues are more optimistic; cautiously so, however. They predict an upturn by the end of 1982, especially for copper. There are a couple of small bright spots even now. One is the Reagan tax program. "It couldn't have come at a more appropriate time," says Asarco's Hennebach, who promptly used it to negotiate the sale of $32 million in investment credits. Another hopeful sign: Reynolds estimates the aluminum industry has cut back a lot of high-cost plants and will reduce operating capacity rates. Industry analysts think they can get close to 70% of capacity this year, compared with well over 80% last summer.

In fact, Alcoa Chairman W. Krome George contends that the aluminum oversupply situation is temporary, related only to the recession. Long-term demand growth, says George, is around 3%. Sooner or later, "We will see more of a balance between supply and demand." That could happen sooner for Alcoa, since it is less dependent on troubled construction and

Aluminum alchemy

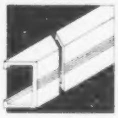
Not long ago, aluminum can recycling seemed as much a public relations gimmick as anything else. No more. In 1981 the aluminum industry paid over $200 million for an estimated 900 million pounds of beer and soft-drink cans returned by consumers to more than 5,000 redemption centers. In the conversion process the aluminum industry also incurs recycling, energy and other costs. The industry is loathe to disclose those costs, saying they are too complex and proprietary. But industry analysts say they aren't overly large in relation to the estimated $600 million-plus of new aluminum made from the scrap.

Why is recycling booming? Two reasons: the cost of energy and the increased penetration of the beverage can market.

Recycling aluminum cans
A gimmick no more.

Higher energy costs put a premium on recycling because producing primary aluminum is both energy- and capital-intensive. Recycling capacity costs about one-tenth as much as new capacity, and the process uses 5% of the energy needed to make new aluminum out of bauxite.

And there are a lot more cans out there to recycle. In 1973 the aluminum industry had about 25% of the beverage can market, today, around 80%. Recycling was so successful in 1981 that "it's adding to the inventory problem," says W. Krome George, Alcoa's chairman. "But it's still a bargain."—H.R.



transportation.

But when? Six to eight months into 1982, say the industry optimists. Four years, says Wall Street pessimist George Cleaver. Even if the recovery is delayed only to yearend 1982, it may seem like ages; and when the upturn comes, there may be still fewer independents around to enjoy it. Consider how many famous names have been acquired already—Anaconda by Atlantic Richfield, Kennecott by Sohio, St. Joe Minerals by Fluor, etc.

Right now the handwriting could be on the wall for three more: Amax, Asarco and Newmont Mining. Amax Chairman Pierre Gousseland may well wish he had not fought off Standard Oil of California's $78.50 a share offer for the remaining 80% of Amax shares it didn't own last March; it's rumored that Socal may be willing to sell its holdings to a buyer more willing to fight for control.

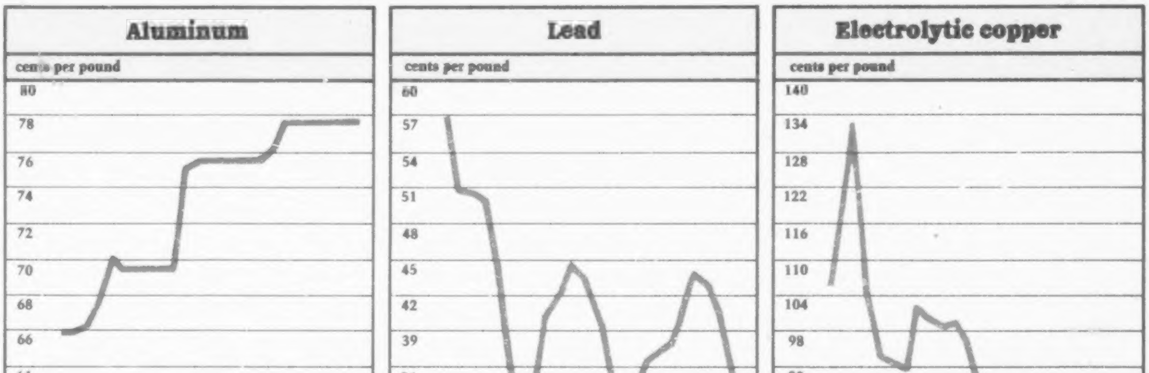
Amax, the free world's largest producer of molybdenum, has been diversifying, but the cost has left it loaded with 50% in variable rate debt. Interest costs alone last year were an estimated $180 million—while the prices of molybdenum and other metals were sinking fast.

Newmont is determined to fight off all acquisition attempts. "We're one of the few large independent mining producers left," says Jack Thompson, "and we're going to stay that way." Perhaps. He points to a friendly agreement signed last year, under which South Africa's Consolidated Gold Fields will limit its ownership of Newmont to 22% until Sept. 1, 1982, and then 26% through 1984. But that's no guarantee of independence.

Whatever happened to the "golden age"? Not too many years down the road, the question may be: Whatever happened to the big independent mining company? ■

Metals on the anvil

The last two years have been downers for most metal prices. Aluminum held up best (price is not the problem, but overcapacity and lack of demand). For a while, molybdenum held up, too, but its price has broken sharply since last summer. The "inflation hedges"—gold and silver—turned out to be anything but that.



Note: December 1981 figures are estimates

Source: American Metal Market

Remember the good old days when trees were a can't-lose, inflation-proof investment?

Forest products

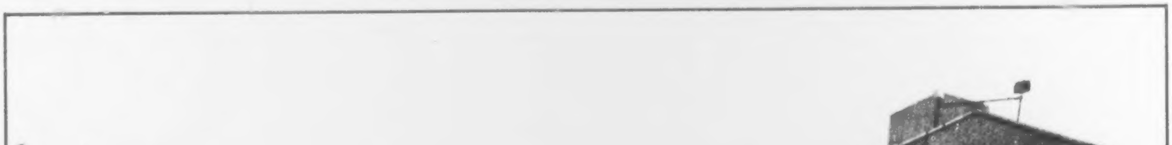
By Jean A. Briggs

I HAVE BEEN THROUGH six industry cycles since World War II, and this is by far the worst," says Jack Forrest, senior vice president of timber and wood products for Boise Cascade. "It's not only the steepest decline but also the longest, which is the hardest part of it."

If you think trees are an impeccable inflation hedge, take a look at the forest products industry. Instead of turning up as most people expected in 1981, it went straight down. And will stay down this year.

True, interest rates have begun to drop, but they are still far from low enough to stimulate housing, the market that normally takes 55% of all lumber and plywood produced. Optimists are saying that "business might begin to improve in the second half." But others worry that structural changes in the financial markets, the near wreck of the savings and loan industry in particular, make a robust upturn in housing less than a sure thing. Lamenting the state of the S&Ls, L.C. Heist, Champion International's executive vice president of timberlands management, says: "We're looking at a much different future. What financed our industry in the past doesn't exist anymore. None of us knows quite how the whole thing will come back together."

Here's how bad it is: Earnings of the big, integrated wood and paper companies have on average been slashed



Idle Crown Zellerbach sawmill in Oregon

Nearly 2,000 more across the country are just as quiet.

by more than half since 1979. As 1982 begins, lumber prices are down 34% and plywood prices 24% from their 1978 highs, according to William Dean, editorial director of *Random Lengths*, a publication that covers industry prices. "It's an auction market," Jack Forrest says. Buyers and sellers are on the phone constantly with bids and offers; every deal is negotiated. By year-end, with prices barely covering variable costs, more than half of the country's 1,950 sawmills and plywood mills were closed or operating at minimal levels, and some 100,000 employees were out of work.

Even the forest products companies' paper divisions, a bright spot for the last two years, are not expected to be of much support until the economy turns up again. Paper consumption varies directly with the health of the economy. So, for example, paper operations of the big companies, which had been registering gains, suddenly began to collapse late in 1981. Earlier in the year it was still possible to increase prices on uncoated and coated paper and linerboard, but in early fall the market collapsed. "At the end of September most of these companies had 30- to 45-day backlogs," says H.C. Bowen Smith, Salomon Brothers forest products and paper analyst. "By the middle of November those were down to 10 days." First to be affected was pulp, followed by uncoated paper and, finally, export linerboard. By year-end even coated paper was affected, as advertising began to fall off in parts of the magazine business.

Those vanished backlogs were crucial. "Not having backlog really hurts," says Smith, "because you can't schedule machines the way you want. You want them to make the same grade of paper all day because every time you change the machine you lose production time. When demand was strong you might not have a grade change for a whole week; when it's weak you might have to have a change four times a day." At Potlatch Corp. Dick Congreve confirms the point, "We have 15-day backlogs but they're that big only because of the way we have to schedule them. We're running less efficiently."

Result: Paper industry earnings will be off some 35% to 50% in the first quarter of 1982 for most companies, estimates Thomas Clephane, an analyst for Morgan Stanley. This contributes to a probable drop in overall 1982 earnings of at least 12% to 15% for such companies as International Paper, St. Regis and Mead, which are much more heavily involved in the paper business than the wood products business.

Not surprisingly, the massive capital-spending programs launched over the last few years by many of these companies are being sharply trimmed. Boise Cascade says it will cut spending back by half; Georgia-Pacific plans to spend only $225 million in 1982, compared with $700 million last year.

Salomon's Smith, however, says that many companies didn't cut back these programs soon enough. With the lumber and plywood business so bad for so long, the industry's ability to cover its costs has badly deteriorated. Speaking of the smaller firms, he says: "Some of the companies, though not literally bankrupt, are into their

Forest products

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
James River Corp Va	28.8%	**1**	22.8%	0.8	14.6%	3	15.7%	3.6%	56.1%	**1**	32.7%	**1**
Fort Howard Paper	24.8	**2**	23.9	0.2	18.0	1	20.4	17.4	16.5	**4**	19.4	**4**
Consolidated Papers	21.2	**3**	19.4	0.1	16.7	2	18.4	10.2	15.1	**5**	22.6	**3**
Mead	19.3	**4**	14.3	0.5	9.4	7	11.8	4.2	12.6	**11**	16.7	**5**
Kimberly-Clark	19.0	**5**	15.4	0.2	11.9	4	14.4	7.1	11.0	**17**	16.7	**5**
Union Camp	18.0	**6**	17.6	0.3	11.9	**5**	12.7	10.3	11.0	**16**	11.6	**10**
Willamette Inds	16.9	**7**	9.1	0.5	6.9	**6**	12.4	3.9	16.8	**3**	9.4	**13**
Georgia-Pacific	15.8	**8**	9.1	0.5	6.0	**12**	10.1	3.7	15.0	**6**	9.2	**14**
Weyerhaeuser	15.3	**9**	7.6	0.5	6.3	**9**	10.9	5.0	11.7	**13**	6.6	**18**
Westvaco	15.1	**10**	16.0	0.4	11.0	**11**	10.3	6.5	11.3	**14**	12.3	**8**
Louisiana-Pacific	15.0	**11**	4.7	0.2	3.6	**14**	9.9	2.9	21.1	**2**	9.9	**12**
Gt Northern Nekoosa	14.7	**12**	13.6	0.3	9.7	**10**	10.5	6.4	13.8	**9**	11.8	**9**
International Paper	14.4	**13**	11.9	0.3	8.8	**13**	10.0	6.9	10.0	**20**	8.5	**17**
Potlatch	14.0	**14**	6.9	0.6	5.3	**15**	9.9	4.7	10.4	**18**	8.7	**16**
Champion Intl	14.0	**15**	8.0	0.4	5.9	**18**	8.7	3.4	8.8	**22**	5.9	**19**
Boise Cascade	12.9	**16**	9.4	0.6	6.4	**16**	9.4	3.8	13.9	**8**	31.6	**2**
St Regis Paper	12.6	**17**	12.8	0.5	8.9	**17**	9.1	6.3	13.2	**10**	5.1	**20**
Federal Paper Board	12.5	**18**	15.6	0.7	8.6	**23**	7.6	5.7	6.4	**23**	2.7	**21**
Southwest Forest Inds	12.3	**19**	5.6	1.0	5.7	**20**	8.5	2.5	9.4	**21**	15.2	**7**
Longview Fibre	12.2	**20**	2.7	0.0	2.5	**8**	11.0	1.3	10.0	**19**	0.0	**23**
Hammermill Paper	11.8	**21**	13.4	0.5	8.7	**22**	7.7	3.4	14.2	**7**	8.9	**15**
Scott Paper	11.4	**22**	10.3	0.4	8.0	**19**	8.5	5.4	11.8	**12**	10.1	**11**
Crown Zellerbach	10.9	**23**	6.5	0.4	5.0	**21**	7.9	2.6	11.2	**15**	2.7	**22**
Industry medians	**14.7**		**11.9**	**0.4**	**8.6**		**10.1**	**4.7**	**11.8**		**9.9**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.

banks and insurance companies for a lot more than those institutions would really prefer." Among those who failed to cut back soon enough on capital spending, Smith says, are Georgia-Pacific, Scott Paper and Champion International.

To add insult to injury: Investor fascination with all those trees as natural resource asset plays has vanished, along with $850 gold and ever-escalating housing prices. ■

Optimists say business might begin to improve in the second half. But others worry that structural changes in the financial markets—the near wreck of the S&Ls—make a robust upturn in housing less than a sure thing.

Timber barons on 50 acres

Bargeloads of timber are floating unsold in northwestern harbors these days, but the forest products industry still worries about the future supply of trees.

Trees are a renewable resource. Right now we're growing them faster than we use them. But projections indicate that won't last unless drastic action is taken.

One bright spot, though, is the Old South, from the Atlantic Coast to the Mississippi, where trees grow faster than in most other places, and can be processed more efficiently. Just as important is that most of the woodlands in the South are private, not federal as they are in the West. Of the South's 200 million timbered acres, 73% are in private tracts averaging less than 50 acres.

So the problem is how to encourage these small landowners to be zealous tree farmers. "The small holder can't live on receipts he gets every 35 or 40 years when his trees used for sawtimber get big enough to be harvested," says Don Smith, director of forest resources at the Southern Forest Institute. "He needs incentives."

Those incentives are now coming. A law passed in 1980 provides aid for individuals who can qualify for investment tax credits on money spent on reforestation. They do, of course, get capital gains treatment on harvested timberlands.

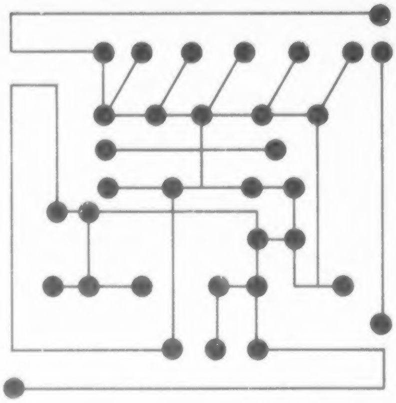
Many of the big timber companies also are trying to encourage forest management among small landholders. St. Regis, for example, provides such services as forest mapping, timber marking and harvesting, site preparation and reforestation—including free seedlings. In return it asks rights of first refusal at harvest time. Timber brokers, too, play an important role, encouraging sellers to follow proper management practices. Sometimes brokers even buy up timberlands when they become available and sell them to people who will take care of them.

All this helped hold up the prices of southern timber and timberlands last year longer than prices in the West. Whether it also will help prevent timber shortages in the next century, of course, remains to be seen. But a journey of 1,000 steps. . . . **—J.A.B.**

Seedlings being prepared for planting

St. Regis alone puts 5 million such plants on private land each year.

Are the Japanese winning out in semiconductors the way they did in so many other industries? One of the industry's pioneers says no.



Electronics

By Subrata N. Chakravarty

Is this the year in which the Japanese start doing to the U.S. semiconductor industry what they have already done in autos, shipbuilding and TV sets? By the end of 1981, Japanese semiconductor makers had about 70% of the market for the third generation of computer memory devices, and they now have 25% of the total world memory market (a share that Michael Krasko of Merrill Lynch says has doubled since 1979).

Is this the great watershed? Forbes asks Dr. Robert N. Noyce, vice chairman of Intel Corp. Noyce is now president of the Semiconductor Industry Association, but he is far more than a mere industry spokesman. Noyce was one of a handful of young scientists and engineers recruited in the 1950s by Nobel prizewinner William Shockley, coinventor of the transistor, to set up the first semiconductor company. Later, he was one of the founders of Fairchild Semiconductor, and then of Intel. He holds patents on key inventions that made possible the integrated circuit.

Forbes found Noyce surprisingly optimistic—surprising because so many others don't agree.

Aren't semiconductors a natural for the Japanese? Won't they find it easy to develop experience and high volume because so much of their electronics industry is devoted to consumer products?

Noyce: I think that's nonsense. In the less sophisticated devices that may well be true. But there is very little carryover. It's like an automobile manufacturer making moon rockets. Sure, there's an experience curve involved, but experience in making a consumer product is not very applicable to making computers.

Still, the Japanese seem to have taken the lead in production of the 64K-bit dynamic random access memory [the latest generation of memory chips capable of storing 64,000 bits of information].

Noyce: Japan has done here what they have done in other mass markets. It's a stable, large-volume product and they jumped into it with both feet. The point is, they are followers. The 64K-DRAM in many ways is a mundane extension of the 16K-DRAM; it's just putting four 16K-DRAMs in one package. It does require advanced technology to do that, but it doesn't require a great deal of creativity—as it would, for instance, in developing new computer software. By contrast, much of the American effort is going into the future—into software-intensive design instead of production engineering-intensive design.

Dr. Robert N. Noyce
"It's a cultural difference."

What accounts for the difference in the two strategies?

Noyce: I think it's a cultural difference. The Japanese climb into a uniform at four years old and stay in uniform until they retire. The U.S. is more individualistic. If you've ever driven in a country lane in a fog behind somebody, you know it's easy to follow the taillight in front of you. In fact, you wonder why the guy in front is going so damn slow—until you pull out around him. I think that's what's going on here. The Japanese have come in with their production engineering, which is very good, to go after a big market the Americans developed. That's what happened in nearly every field they have gone into.

The other thing is this: In a sluggish economy, the relative lead in technology becomes less important, and technology of course has been the major U.S. advantage. If the industry is growing rapidly, the follower's job is tougher because everybody is moving rapidly. What we've got now is a temporary lull, and that always gives the followers time to catch up.

Still, your dismissal of the Japanese penetration of the memory market smacks of complacency. Detroit made the same mistake with small cars and Xerox with small copiers. They both lived to regret it.

Noyce: I think everyone in this business is running scared so I'd certainly deny complacency. We will be jumping into 64K-DRAMs with both feet, let me assure you.

American suppliers are going to come on with the second-generation 64K-DRAM sooner than the Japanese.

Second generation?

Noyce: Yes. The real problem with just straight upgrading of the 16K-DRAM is that it's too expensive. The customers won't go from one generation to the next unless there's a real cost saving. Prices on the 64K-DRAM now—using the old technology—are at about cost. You've got to use the new technology to make it profitable. The real issue is how much you want to subsidize the market at this point.

You make it sound almost as if the industry has no problem meeting the Japanese challenge.

Noyce: We do have some very significant problems, and I don't mean to downgrade them. For one thing, we have an enormous shortage of trained manpower in the U.S.; we've got to graduate more engineers and fewer lawyers, if I can put it that way. Another problem is shared by the rest of American industry. The investment rate in Japan is a third of their GNP and ours is 15% or so. For a growth industry, that makes a tremendous difference. You can reflect that savings rate back into the cost of capital in the two countries. And that gives them a significant advantage.

This year, at any rate, the industry's returns have dropped very sharply. Isn't that going to create problems long term?

Noyce: I just don't think you can look at 12 months, hang management with that, and then complain of American management's "short-term view." I don't think you can look at today's return on capital and say it's going to be that way for the next five years. If anybody in the industry believed that, we'd all quit and go home.

You certainly don't sound like you're ready to do that.

Noyce: This is one race the nation can't afford to lose. But the U.S semiconductor industry has been competing with the Japanese for a long time; as a matter of fact, the seven largest Japanese companies have been in the business longer than most of the players in the U.S. industry. What happened? The Japanese were driven out of the transistor market when the American industry went to cheap silicon transistors. They were driven out of small-scale integrated circuits when they got caught in the price crossfire between Texas Instruments and National Semiconductor. So we've been there before.

The difference now is that the Japanese have made it an item of national purpose, so they're going to be a little tougher. But U.S. industry still has the technological lead, there is very little doubt about that. The fundamental research has been done here. The Japanese are very strong in memory, but they are not nearly so strong in more innovative products. The next move is the microprocessor and all of its affiliated devices. And there they are strictly following the U.S. lead. ■

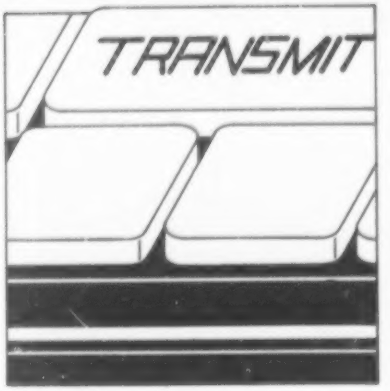
Electronics

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Schlumberger	35.5%	1	37.8%	0.1	35.6%	1	32.8%	22.2%	24.6%	5	35.4%	3
Teledyne	35.4	2	28.2	0.4	19.8	3	24.2	12.3	11.0	22	44.0	1
EG&G	27.0	3	28.3	0.1	25.4	4	23.1	4.6	25.3	4	25.8	6
AMP	27.0	4	20.6	0.1	18.3	5	23.1	9.8	17.7	13	22.2	12
Intel	26.2	5	10.2	0.3	7.7	2	25.1	5.6	38.7	1	29.5	5
Raytheon	24.2	6	23.9	0.1	22.8	6	22.4	5.8	15.9	15	24.3	9
Harris Corp	21.1	7	20.8	0.3	13.7	13	15.9	6.6	18.5	11	32.1	4
Tektronix	19.9	8	15.8	0.3	13.0	11	17.3	7.6	23.8	7	25.6	7
Natl Semiconductor	19.9	9	12.1	0.2	8.5	14	15.4	3.2	31.6	3	19.6	14
Avnet	19.7	10	16.3	0.1	15.2	10	17.5	5.2	15.0	16	13.8	18
Hewlett-Packard	19.5	11	19.8	0.0	18.9	8	18.8	8.7	24.1	6	22.9	11
M/A-COM	19.3	12	24.4	0.1	26.6	7	19.9	7.8	35.3	2	24.9	8
General Instrument	18.8	13	19.4	0.1	16.8	15	15.2	9.0	11.5	20	36.6	2
Perkin-Elmer	18.5	14	17.8	0.2	15.3	12	16.7	6.8	23.3	8	20.9	13
Texas Instruments	18.3	15	10.7	0.2	10.0	9	17.8	3.0	18.8	10	14.9	17
Motorola	16.4	16	15.8	0.3	13.3	16	14.6	5.6	14.2	17	15.4	16
Beckman Instruments	15.7	17	12.3	0.5	10.2	17	13.1	5.8	18.1	12	23.3	10
Honeywell	15.1	18	15.1	0.2	11.6	19	11.7	5.5	10.9	23	18.4	15
North Amer Philips	14.9	19	16.4	0.3	10.7	21	10.2	3.5	17.3	14	12.5	20
Corning Glass Works	14.9	20	13.1	0.2	11.1	18	12.6	7.4	8.2	24	13.7	19
General Tel & Elec	14.4	21	14.3	1.0	6.7	23	7.1	6.5	11.1	21	7.2	22
Gould	13.9	22	9.9	0.5	8.1	20	10.5	4.2	20.3	9	6.1	24
American Tel & Tel	13.1	23	13.0	0.7	7.5	22	7.5	12.1	11.6	19	8.9	21
Varian Associates	6.3	24	def	0.6	0.6	24	5.9	def	12.5	18	6.2	23
Industry medians	**19.1**		**16.1**	**0.2**	**13.2**		**16.3**	**6.2**	**17.9**		**21.6**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
def: deficit.

The minicomputer makers first made possible the vast new office computer market. But only now have they begun to exploit it.



Computers

By Kathleen K. Wiegner

Years ago Kenneth Olsen, cofounder and president of $3.2 billion Digital Equipment Corp., was talking about "personal computing." Now it's the "*professional* personal computer." There's a world of difference between those two terms. DEC, you may recall, pioneered the minicomputer back in the days when computers came in only one size—big, and for one price—expensive. DEC's computers, selling for thousands, rather than millions, of dollars, spawned a whole industry.

Then along came Apple and Tandy in the late 1970s and made personal computing a bit more personal. They put computers on the desks of doctors, lawyers, secretaries and executives, many of whom had seen a computer only in the movies. Personal computers became office computers.

Suddenly, DEC and the minimakers were looking at a vast new market. They saw the light: The computer was the key. Word processors, electronic mail systems and graphics terminals were simply another form of distributed data processing.

The light became a blinding flash last summer when IBM entered the personal office computer market. DEC, Hewlett-Packard Co. and Data General Corp. wasted no time getting in themselves *(see p. 148)*.

Why didn't they move sooner? For a very good reason, says Winston R. Hindle Jr., DEC's vice president of corporate operations: "We had a limit to our manufacturing capacity. Over the last couple of years, in fact, we could not maintain deliveries; except for IBM we have had some of the longest lead times in the industry." The fact is minicomputer companies were growing as fast as any company could without harming itself. DEC's growth rate, for example, is 31% compounded annually over the last five years. "Nobody can do everything," explains Olsen, shifting his 6-foot-2 frame more comfortably in his chair. "We didn't have the resources, even if we had the concept."

The concept is now crystal clear. Personal computers are growing at

Computers

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Wang Laboratories	30.2%	**1**	25.0%	0.5	16.1%	**3**	19.7%	9.0%	46.0%	**1**	46.8%	**1**
Storage Technology	30.0	**2**	24.8	1.0	12.9	**5**	19.0	7.8	44.4	**2**	37.4	**2**
IBM	22.7	**3**	21.0	0.1	18.9	**2**	21.5	12.4	12.7	**9**	12.0	**9**
Data General	21.5	**4**	12.4	0.4	10.0	**4**	19.3	5.6	42.2	**3**	28.0	**5**
Amdahl	21.1	**5**	9.6	0.1	10.1	**1**	24.2	6.3	23.0‡‡	**7**	–17.7‡‡	**12**
Hewlett-Packard	19.5	**6**	19.8	0.0	18.9	**6**	18.8	8.7	24.1	**6**	22.9	**6**
NCR	19.0	**7**	13.7	0.2	12.3	**8**	15.0	6.8	8.7	**13**	33.8	**3**
Digital Equipment	18.1	**8**	16.7	0.0	15.5	**7**	16.4	11.1	36.2	**4**	31.8	**4**
Honeywell	15.1	**9**	15.1	0.2	11.6	**9**	11.7	5.5	10.9	**11**	18.4	**8**
Sperry	14.0	**10**	9.4	0.3	6.8	**10**	10.4	4.0	10.4	**12**	11.7	**10**
Burroughs	10.0	**11**	0.8	0.2	1.1	**11**	8.9	0.6	12.5	**10**	3.7	**11**
Control Data	9.8	**12**	10.6	0.3	9.4	**13**	8.1	3.9	14.3	**8**	19.6	**7**
Memorex	9.5†	**13**	def	1.0	def	**12**	8.2	def	24.1	**5**	D–P	
Industry medians	**19.0**		**13.7**	**0.2**	**11.6**		**16.4**	**6.3**	**23.0**		**21.3**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
†Four-year average. ‡‡Three-year growth. D-P: deficit to profit; not ranked. def: deficit.

close to 40% a year while traditional minicomputers have slowed to 20%. In fact, it is estimated that desk-top computers will represent nearly one-quarter of the computer industry market by 1985. DEC alone has poured $150 million into repackaging its data processing machines for the office—with extensive software offerings.

Software is so critical to the personal office computer buyer that experts say it will eventually exceed hardware in sales. But there are problems. "More and more of the value added these days is software," says Hindle, "but we in systems have not discovered well enough how to make a good return on it."

Minicomputer companies also face a marketing problem. When DEC was largely selling hardware, its customers were sophisticated users—scientists, researchers and OEM manufacturers who developed their own systems. But a smaller computer, often sold to a first-time user, must be a complete package requiring totally different marketing channels. DEC was the first computer company to open company-owned stores to retail directly to the customer, but its 25 stores have not met with the success of Tandy's Radio Shack chain. Servicing small customers, which DEC once left to third-party service outfits, also requires some new skills. "To service our low-end customers we put what they need in a van," says John Shields, vice president for customer service. "We also have a center where people can bring the product in for repair and have it back in 24 hours."

The minimakers arrive at the great office-of-the-future watershed with work still to do; as of now, none has all the pieces in place.

For example, H-P won't have an electronic mail system until sometime this year. And DEC, lacking a personal computer as "dedicated" as Apple's, is offering a computer board that, when attached to its hot-selling VT-100 terminal, turns it into a multipurpose small computer. DEC now lacks a product in the $2,000-to-$3,000 range; Olsen hopes first-time users will quickly exhaust the potential of their Apples and want more computer. "People are learning to use computers and Apple has done this," says he. "But then they will want to trade up to a *real* computer."

The new battle in minis will be heated and expensive, and the minimakers won't be competing only against IBM and each other. There are also the semiconductor companies moving up: Intel Corp., for example, which recently announced a "microcomputer" competitive with DEC's PDP-11. Says Theodore Johnson, DEC's vice president for sales: "The small businessman is looking for people he can trust." If he places that trust with the minimakers they could have a bonanza on their hands. ■

Digital Equipment President Ken Olsen tries out a new DEC machine
Making personal computing even more personal.

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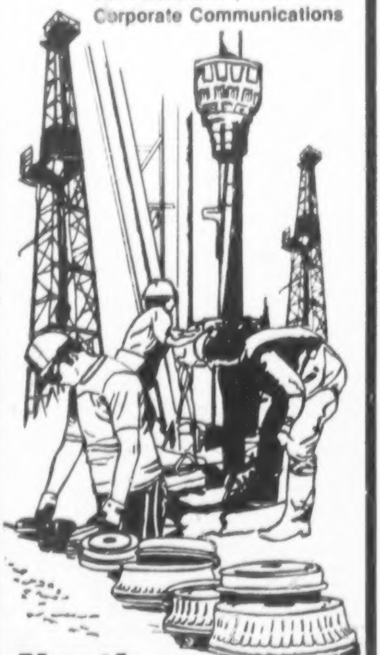

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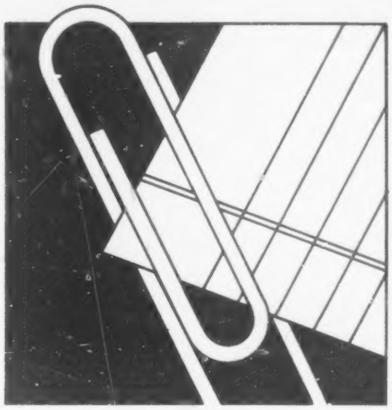
Here come the computer companies. And if the office of the future is not to be theirs, the old guard had better move fast.



Office equipment and services

By Kathleen K. Wiegner

LAST FALL, Digital Equipment Corp. and Hewlett-Packard Co. chose the same day to announce their invasion of the office equipment market—in everything from word processing to electronic mail. Less than a month later, NCR Corp. and Data General Corp. joined them.

All four are computer companies, homing in on a natural and historic target that many believe will be their biggest market of all. Already there are Wang Laboratories Inc. and Datapoint Corp. There from the beginning, of course, was IBM. Increasingly now, the office equipment industry is becoming an adjunct of the computer industry. At least 140 companies sell some kind of word processing office equipment today, some as large as IBM, some as tiny as $25 million (sales) Vector Graphic of Thousand Oaks, Calif.

This is not traditional office equipment such as copiers and dictating and mailroom equipment. That market continues to grow, but with none of the breathtaking curves shown by word processing, for example, which Dataquest, the Cupertino, Calif.-based market research group, estimates will more than double from $2 billion to $5 billion in the next four years.

The impact on some of those traditional old-line office suppliers has been devastating. For example, AM International, Inc. is in deep trouble. It is trying to sell off the high-technology divisions that might have provided a presence in the computerized office; it now seems able only to milk the remaining cash out of its aging offset duplicating business. Once-prosperous Nashua Corp. and Savin

Office equipment & services

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Office equipment												
Savin	44.1%	1	def	1.4	def	1	34.2%	def	42.0%	1	120.9%	1
Electronic Data Syst	23.6	2	26.6%	0.1	22.5%	2	21.3	8.5%	21.1	2	10.4	5
Pitney Bowes	20.3	3	14.9	0.3	10.6	5	14.3	4.8	18.0	3	31.3	2
Moore Corp	18.9	4	18.2	0.2	15.3	4	15.1	6.3	13.3	6	10.2	6
Xerox	18.6	5	17.5	0.2	15.1	3	15.7	7.3	14.8	5	11.6	4
Nashua	17.2	6	9.3	0.3	8.3	6	13.2	2.2	15.9	4	17.8	3
Bell & Howell	4.1	7	8.1	0.3	6.9	7	3.8	2.1	7.4	8	–8.0	7
AM International	def	8	def	0.5	def	8	def	def	7.8	7	P–D	8
Medians	**18.8**		**12.1**	**0.3**	**9.5**		**14.7**	**3.5**	**15.4**		**11.0**	
Office services												
Computer Sciences	33.3%	1	18.0%	0.6	12.8%	4	17.4%	3.0%	20.6%	4	43.9%	1
Kelly Services	29.4	2	26.6	0.0	26.4	1	29.4	3.9	24.3	3	26.8	2
Parker Pen	25.1	3	14.0	0.1	13.4	2	22.9	3.5	29.9	1	24.8	3
Auto Data Processing	21.5	4	19.1	0.2	15.1	3	18.9	8.4	26.4	2	20.9	4
Purolator	15.9	5	25.8	0.5	17.5	5	12.1	4.0	11.9	5	4.6	5
Medians	**25.1**		**19.1**	**0.2**	**15.1**		**18.9**	**3.9**	**24.3**		**24.8**	
Industry medians	**20.3**		**17.5**	**0.3**	**13.4**		**15.7**	**3.9**	**18.0**		**17.8**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
P-D: profit to deficit. def: deficit.

Corp. are struggling as they try to come up with small copiers to replace the profitable business they have had selling Japanese-made Ricohs because those sales agreements run out in several years. Last month Savin, counting on its name in office copiers, introduced a series of office systems that also allow users to tailor general software specifically to their own needs. Meanwhile, the Japanese continue to burn up the market for low-end copiers, a world market that is expected to more than double to $15 billion by 1985. In office equipment the Japanese threat is about where it was in autos, say, a decade ago—way behind, but determined to catch up.

Assembling Xerox' new electronic typewriters

Xerox goes after another IBM stronghold in the office of the future.

Unlike AM, not every old-time office equipment firm is in bad shape. For example, Moore Corp., the largest maker of printed business forms, has invested $25 million in the last three years in an office system that computerizes record keeping for small and medium-size businesses, using Texas Instruments or Altos computers and Moore's own software. Moore recognized early the threat from computer printers that can act as sophisticated photocopiers, enabling businesses to obviate Moore's forms by making their own.

Compurite, another Moore product, links a computer with a printing press, allowing direct mail solicitations to be "personalized." (It's also used by the Internal Revenue Service to label individual tax returns.) So far, high-tech products account for less than 5% of Moore's $1.8 billion sales, but President Richard Hamilton expects them to contribute a much larger percentage in five years.

Pitney Bowes, the big mailing-equipment maker, has added Ricoh and Minolta copiers to its existing older line and has also been in the word processing business since 1980, when it acquired Artec International. PB is looking for that day in the future when electronic mail and funds transfers make the postage meter a museum piece, as the hand-held calculator did the slide rule.

Among the old guard, only Xerox can match companies like IBM, DEC, Wang, Datapoint and H-P in touching all bases of the office of the future. Xerox is going after IBM's hammerlock on the typewriter business with its own electronic typewriter. Far from a mundane product these days, the typewriter is in fact one of the keys to the future: By 1983, IBM and most other typewriter makers will have switched from electric to electronic; add data communications capability and text editing functions, and these typewriters can become computer terminals. With its Star "multifunction workstation," which does word processing and information retrieval, Xerox has another product geared to the future. Dataquest's Robert Costain believes that such workstations may ultimately replace personal computers in the office.

Moore, Pitney Bowes and Xerox had the vision to see the change coming and the will and wherewithal to do something about it. But Bell & Howell will have to settle for a corner of the market. It has a strong position in micrographic equipment for making microfiche and computer output microfilm, accounting for over 30% of the company's sales. Micrographics are an estimated $2.5 billion industry and expanding at about 13% a year. But 13% is slow by the standards of this superdynamic industry. ■

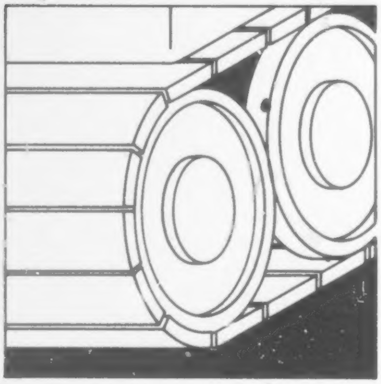
A friend in Abu Dhabi—and Aberdeen, too

Eleven years ago three enterprising young men, one of them a student lawyer, came up with the idea of a courier service for shipping companies that needed manifests delivered to Hawaii before their ships docked. Today their brainchild, DHL, carries not only manifests but seismic reports, blueprints and bank documents to all parts of the globe. It is the oldest and largest international courier service providing desk-to-desk delivery of documents and small parcels. Last year DHL flew 10 million shipments between 268 cities as far-flung as Abu Dhabi in the United Arab Emirates, Pago Pago in American Samoa and Kuantan, Malaysia.

DHL is two separate companies—DHL Corp., headquartered in Burlingame, Calif., and DHL International, operating out of Hong Kong. Each company acts as the exclusive agent for the other. While privately held DHL will not disclose its overseas revenues, David Allen, 36, president of DHL Corp., says the U.S.-based company did about $100 million in sales last year.

Allen is confident his company is secure from attack by new competition or even established and aggressive outfits like Federal Express, which is trying to expand overseas. "International courier service is very complex and specialized," he says. "You need to have a lot of contacts with airports, customs, as well as approvals from governments." But looking ahead to the day when electronic mail could erode the need for hand-carried document delivery, DHL has begun marketing word processing systems that can eventually be linked to facsimile machines.—**K.K.W.**

The new tax law is not going to bail out ailing machinery companies. Even an economic recovery may not do the trick.



Construction, mining, transport equipment

By Barbara Rudolph

WHAT HAPPENS when interest rates come down, the economy recovers and the new tax package comes into full effect? Listen to the optimists in heavy machinery and you would think all problems will be solved, for strong and weak alike. It may not be nearly that simple.

Right now the optimists are rummaging through the goodies in the Economic Recovery Act—accelerated depreciation and the sale of investment tax credits in the form of leasing equipment. Says Willis Fisher, senior vice president for construction equipment at Harnischfeger Corp.: "Thanks largely to the accelerated depreciation schedules in the package, we expect our business will be way up in the spring. For example, our lift-crane business, which is now running a third idle, should be going full steam by then."

Also, according to the optimists' scenario, the "fictional transaction" leasing provisions of the tax package will be the salvation of railcar-leasing companies such as GATX or ACF Industries. Imagine a cash-rich company looking for a tax break. It pays, say, $20,000, or 20%, down for $100,000 worth of new railcar equipment and owes the remaining 80% to the cash-poor leasing company. The seller gets the cash and still manages to retain legal ownership of his equipment. The buyer gets the tax credit.

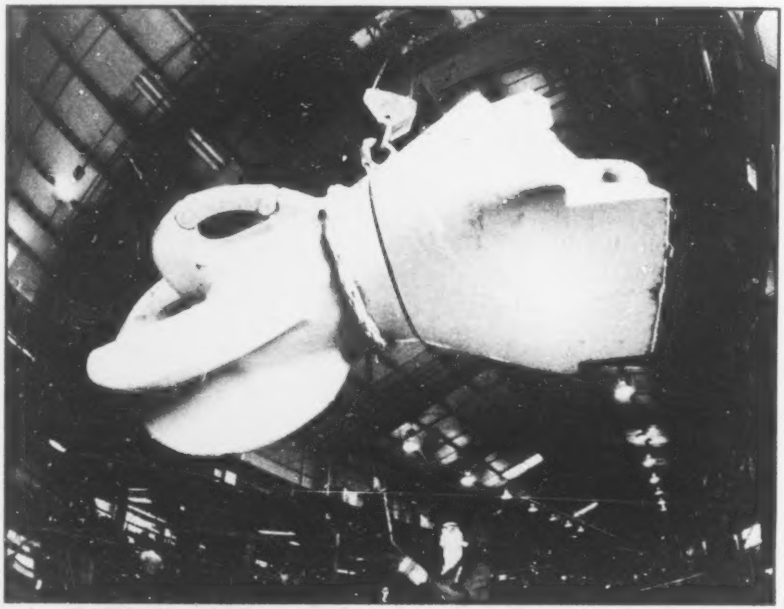
What's wrong with that? This is one of those benefits that works best when times are good. "If you can't get cash, then what good does it do you?" wonders Joy Manufacturing Co. Chairman J.W. Wilcock. "We've got the cash, but we still wouldn't make investment decisions on the basis of depreciation schedules."

Agrees Robert Gerstenberger, senior vice president for industrial equipment at John Deere & Co.: "Unless the economy picks up, the tax package won't swing enough sales to really help. It won't spell the difference between go and no go." Says Jim Phillips, a partner at Ernst & Whinney who advises many capital goods manufacturers: "There's no question that leasing is hot right now, but I don't think it is going to do any good without underlying demand."

And demand, of course, just isn't there. Housing starts are at the lowest level in 15 years. Highway construction is off. The future? Typical is American Hoist & Derrick's view: "We see 1982 as a rerun of 1981," says a spokesman. And mining machinery companies are still waiting for the renaissance of coal.

Rail equipment companies provide perhaps the gloomiest outlook in all of heavy machinery. At the end of the year, demand for railcars was down an alarming 57% over 1980, in large part because of the huge overbuilding of capacity in 1979 and 1980. Add to that the current sluggish railroad traffic and the trend toward mergers in the railroad industry—which reduces demand for cars—and the final picture is very bleak indeed. One stark example: In the Norfolk & Western-Southern merger, Southern will be getting all its hopper cars from N&W because N&W's building facilities are far more efficient. As a result, Southern will be almost completely out of the marketplace.

A sure sign that railcar makers are



Joy's oilfield "Hydra-Hook"

Coal is coming, but oil is here.

worried: The American Railway Car Institute, a trade group that normally keeps out of public view, has taken the unusual—though probably futile—step of intervening in the proposed N&W-Southern merger. The institute argued to the ICC that the merger would present a "serious problem which might well threaten the viability of the independent railcar manufacturing industry."

How long will this go on? Maybe through 1985. Kidder Peabody's Graeme Lidgerwood estimates the railcar industry will deliver only about 47,000 cars a year until then. That's a mere 55% of total capacity and a drop of about 40,000 cars a year from 1979, when the industry was running at near capacity.

In fact, Lidgerwood believes that consolidation is brewing in the railcar industry to match the consolidation of the railroads themselves. Pricing is already fiercely competitive, and earnings are down for most firms. A probable winner in this coming shakeout: Amsted Industries, the low-cost producer and the most financially fit. It has no long-term debt whatsoever, compared with Tiger International, where long-term debt is 73% of capital, GATX (52%) and ACF (40%). But even Amsted has something to complain about: Ironically, it invested some $80 million in new buildings and equipment last year—instead of waiting until after Jan. 1, when it might have profited from the tax package.

There could be a shakeout coming in the construction and mining machinery industry, too. Even solid, solvent Clark Equipment has had to pull out of the market for big road scrapers and road graders. And Fiat-Allis, the joint Italian-U.S. venture, is reportedly considering abandoning the North American market altogether. Automated factories are making lift trucks, a longtime staple of the construction machinery market, obsolete. Lift-truck sales were off an alarming 31% in 1981 and down 42% from the high point of 1979. Clark, number two behind Hyster in lift trucks, is especially hurt; 40% of its sales are in lift trucks.

Overall, Hyster Chairman William Kilkenny claims the U.S. construction materials market is "stable." He concedes there is a trend toward automation in the U.S. but sees growth markets in South America and the Far East (outside of Japan, where Komatsu is dominant).

Maybe so, but here's a straw in the

Construction, mining, transport equipment

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Construction, materials handling												
Caterpillar Tractor	20.1%	1	17.9%	0.3	14.8%	2	15.3%	6.9%	14.0%	2	12.7%	2
Hyster	20.0	2	9.8	0.2	8.7	1	16.4	5.1	13.0	3	24.3	1
Clark Equipment	13.4	3	7.9	0.2	6.8	3	10.5	3.5	4.2	6	6.7	3
Amer Hoist & Derrick	12.6	4	11.0	0.5	8.4	4	9.2	3.6	9.0	5	4.4	4
Harnischfeger	8.5	5	16.3	0.9	10.7	6	6.4	4.5	14.2	1	–4.4	6
Pettibone	7.3	6	def	1.2	2.1	5	6.7	def	12.2	4	–3.1	5
Medians	**13.0**		**10.4**	**0.4**	**8.6**		**9.9**	**4.1**	**12.6**		**5.6**	
Mining & drilling equipment												
L B Foster	96.1%†	1	78.7%	1.5	22.5%	7	15.2%†	4.0%	**		**	
GEO International	37.2†	2	51.3	0.4	41.5	1	27.1	10.7	30.3%	4	32.8%‡	1
Western Co No Amer	30.6	3	35.6	1.3	16.2	10	13.0	13.6	37.2	1	31.8	2
Geosource	25.3	4	32.8	0.3	33.6	2	22.8	8.0	28.4‡	5	28.9‡	3
Baker International	25.2	5	30.9	0.3	22.2	4	17.9	10.5	33.6	2	28.8	4
Smith International	21.7	6	25.1	0.3	19.9	3	18.2	11.3	25.7	6	22.9	6
Cameron Iron Works	20.9	7	24.6	0.4	16.9	8	14.2	11.4	18.4	7	20.0	7
Hughes Tool	20.4	8	24.5	0.1	20.9	5	17.2	13.7	32.5	3	25.8	5
Dresser Industries	19.3	9	19.0	0.2	15.7	6	15.4	6.9	18.3	8	17.2	8
Bucyrus-Erie	16.2	10	9.6	0.2	8.3	11	12.8	8.4	12.2	10	13.5	10
Joy Manufacturing	15.3	11	20.3	0.2	17.0	9	13.2	8.0	13.5	9	13.7	9
Medians	**21.7**		**25.1**	**0.3**	**19.9**		**15.4**	**10.5**	**27.1**		**24.4**	
Rail equipment												
Amsted Industries	20.2%	1	14.3%	0.0	13.9%	1	19.7%	6.0%	12.4%	3	19.0%	1
Ampco-Pittsburgh	14.5	2	15.8	0.5	13.4	2	12.8	3.2	21.0	2	15.6	2
ACF Industries	12.6	3	8.0	0.7	5.1	3	7.1	3.3	12.2	4	6.9	3
Tiger International	12.2	4	5.3	2.7	3.9	4	5.9	1.4	25.5	1	6.8	4
GATX	11.2	5	12.9	1.1	5.6	5	5.1	6.0	9.1	5	3.3	5
Medians	**12.6**		**12.9**	**0.7**	**5.6**		**7.1**	**3.3**	**12.4**		**6.9**	
Industry medians	**19.7**		**17.1**	**0.4**	**14.4**		**13.7**	**6.5**	**14.2**		**15.6**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
†Four-year average. ‡Four-year growth. def: deficit. **Not available; not ranked.

wind: Caterpillar, which is the strongest of all construction equipment manufacturers, has reportedly been forced into price concessions on some of its large orders, which hasn't been done for about ten years.

Probable outcome: Margins will be squeezed this year, and the heavyweights of this heavyweight industry—Caterpillar in construction, Joy in mining and Amsted in rail equipment—are going to move even further ahead of the pack. They have the financial strength to weather the bad times and the luxury of choice in good times to make the capital investment needed to maintain their edge. Joy, for example, raked in healthy profits on mining equipment in 1975 and 1976, when a coal boom seemed just around the corner, and immediately made substantial investments in product improvements and cost reductions.

Joy Manufacturing Chairman Wilcock
Being the preferred brand helps.

Unlike a major competitor, Ingersoll-Rand, Joy did not overexpand in coal-mining equipment because, says CEO Wilcock, "We saw it as a purely cyclical thing." So when the coal-mine tide turned in 1977, Joy wasn't burdened with excess capacity; and when demand recovered somewhat in 1979, Joy gained market share at IR's expense. Result: Now that demand has softened, Joy is again in a position to spend while some of its competitors are forced to retrench.

Joy is investing an impressive $100 million in new plant and equipment this year. And in its last fiscal year (ending Sept. 30, 1981), net income was up a handsome 47% on a 17% increase in sales largely because of the right product mix: Some 45% of Joy's profits came from rig and wellhead equipment for the oil industry. But the company was also able to make money in the depressed coal-mining market because, as market leader, it grabbed most of the business there was. "We are the preferred brand in many cases, and that helps a lot," says Wilcock.

Will Joy's competitors—and their counterparts in construction and rail equipment—be permanently injured by a long recession? Will even the survivors actually prosper anytime soon? Hyster's Kilkenny is hopeful: "There's a great deal of pent-up demand out there." Agrees Deere's Gerstenberger: "Like MacArthur, it will return."

But tax breaks—even economic recovery, whether early or late—will not take the place of foresight and good management. Warns Richard Sanderson of Investors Diversified Services: "There is a widely held misconception that an economic recovery will bail out weak companies. Watch out this time." All in all, prudent pessimists like Joy's Wilcock sound convincing: "We are running our business on this basis: Things will be getting a hell of a lot worse before they get better." ■

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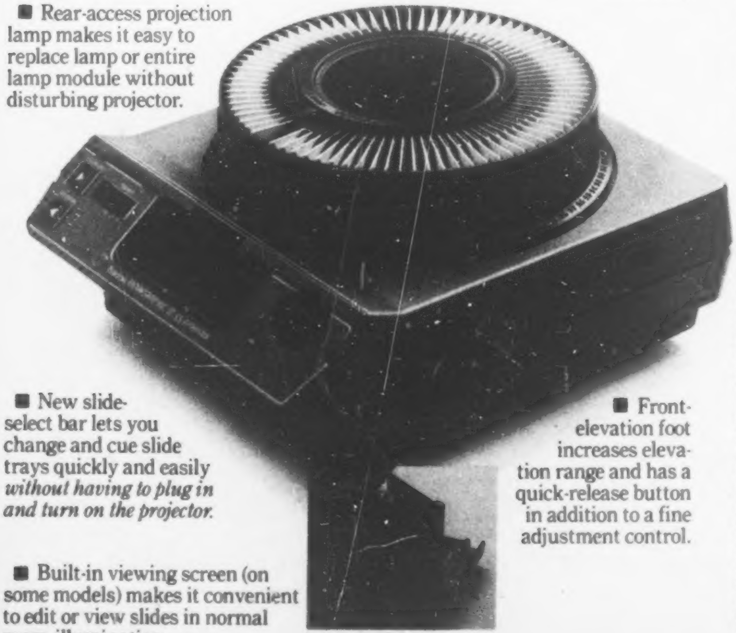

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Slogging through the apocalypse may have its rewards—if you are big, strong or foreign.

Industrial equipment and services

By Barbara Rudolph

How's this for clutching at straws? "Our inquiry rate is high," says a Cincinnati Milacron executive. "Our engineers are constantly hearing from customers thinking of buying equipment."

Talk is cheap. The facts, though, are hard:

Machine tool orders are now hovering at less than half the peak of 1979 and about 35% below 1980. Industrial equipment makers have used up most of their backlogs as well as the temporary benefits of the auto industry's frantic retooling. Now it's a matter of slogging through the apocalypse.

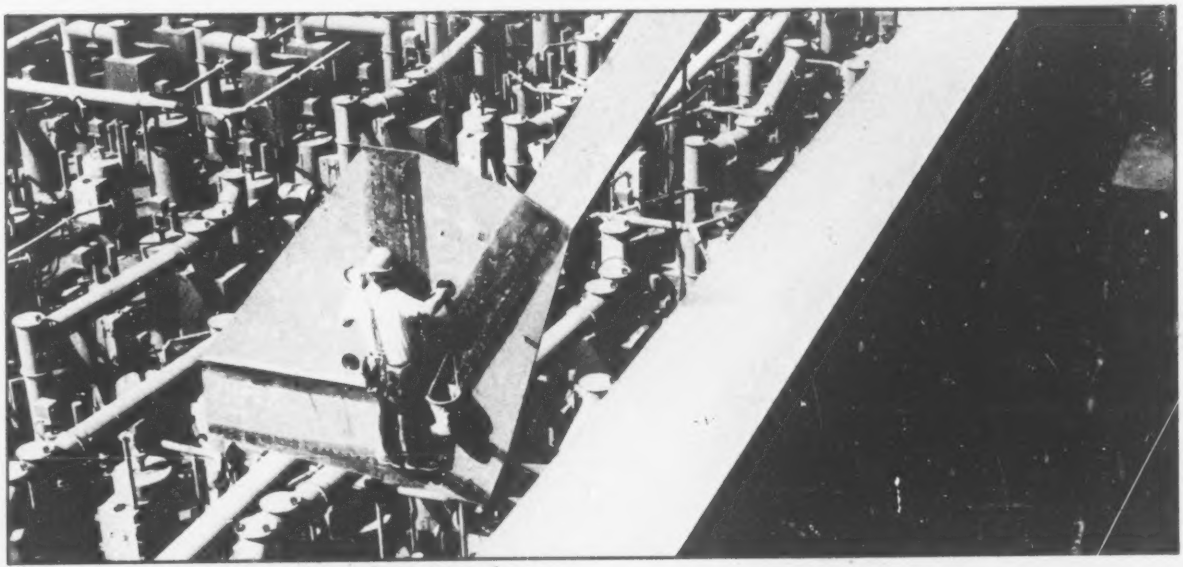
"We keep hoping this is the bottom of the cycle, but until we're sure, we'll just keep hunkering down," says Parker-Hannifin's Don Manning. An Acme-Cleveland spokesman talks about a "management mandate to focus on the cost structure. We're not expecting volume growth now, but we are determined to improve our returns."

Slogging through also means selling unprofitable divisions. Take Research-Cottrell. Last year the manufacturer of pollution control equipment showed a frail 10.3% return on equity, compared with an industry average of 14.6%. It's hoping to sell its moneylosing chimney and cooling-towers division. Potential buyers are looking, a spokesman says, but nobody is biting yet. And Rexnord, which last year sold its fasteners division, is considering dumping its construction machinery division.

In fact, Research-Cottrell may well be thinking of diversifying itself out of industrial equipment altogether in favor of its profitable energy services division, which has gone from zero earnings in 1978 to contributing about half of last year's. The company insists it's not "abandoning" industrial equipment, but an executive concedes: "We're stuck with lower returns there, and you're never going to dramatically change that."

Healthier machinery companies have kept their product mix as varied as possible. There is Illinois Tool Works, for instance, which makes packaging equipment, precision tools and industrial components. "With a product group that goes across the board, they shouldn't get stung on all fronts at once," says Richard Sanderson of Investors Diversified Services.

It takes financial strength to diversify, of course, and only a handful of manufacturers have it. But these finan-



Research-Cottrell's New Mexico chemical processing plant

It's known as a maker of pollution control equipment, but about half of profits come from energy services.

cially solvent firms are in a powerful position—they can make it through the bad times and build in anticipation of the next upturn. Take Cross & Trecker. In June it unveiled new vertical machining centers—metal-cutting machines set on a vertical axis. "The vertical market is a good one to enter," says Vice President Leon Musser, because the comparatively low price of the machines attracts a broader customer base. "We had dropped out of it five years ago when we were saddled with outdated equipment." In the middle of the recession, then, C&T has been able to invest in brand-new competitive products. That's the kind of advantage a strong balance sheet can give you.

There are other financially sound companies. Briggs & Stratton and Illinois Tool Works have virtually no long-term debt. That's where the optimism is—where the money is. The industry's heavyweights can almost taste the demand for capital goods exploding when the economy turns around. After all, this has happened before. So some companies are boldly adding capacity in the depths of the trough. Says Cross & Trecker's Musser: "We might have added a little too much in 1981. But in this business you are either too late or never on time."

These healthy companies may come out on the other side not just healthier, but bigger. Says Morgan Stanley's John Mackin, "We don't think the mergers and acquisitions game is over yet."

For weaker companies, though, the situation is ominous. Just as with construction, mining and transportation equipment makers *(see p. 151)*, machine tool companies can't expect the new tax plan to bail them out no matter what benefits accrue to the overall industry. And even those that survive this downturn may find that a buoyant economy brings scant comfort. Imports now account for at least 30% of new machine tool orders. Even more unsettling is that, historically, Japanese companies such as Toshiba and Fujitsu Fanuc have made their biggest headway when demand is strong—just as the Japanese have done in industries like semiconductors. With 80% of the 400-odd machine tool companies in the U.S. standing at less than $50 million in annual sales, the possibilities for foreign growth seem distinct.

But the status quo is no bargain either, and if most small manufacturers could pick their poison, it's a fair bet they would take their chances with foreign competition and opt for a healthy economy. And soon. ■

Industrial equipment and services

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Production equipment												
Cross & Trecker	25.7%††	**1**	26.5%	0.1	24.2%	**1**	23.7%††	10.1%	19.3%‡	**1**	36.4%‡	**2**
Sundstrand	22.1	**2**	23.0	0.4	15.8	**6**	14.4	9.0	13.1	**10**	22.3	**3**
Briggs & Stratton	21.7	**3**	9.7	0.0	9.3	**2**	21.2	4.1	13.4	**9**	9.5	**11**
Cincinnati Milacron	21.0	**4**	15.0	0.3	11.6	**4**	14.4	5.2	12.6	**11**	39.6	**1**
CBI Industries	20.4	**5**	21.7	0.0	17.7	**3**	16.5	9.8	6.8	**14**	11.7	**10**
Parker-Hannifin	18.1	**6**	17.1	0.3	13.3	**5**	14.4	5.7	18.7	**2**	13.0	**8**
Norton	17.1	**7**	15.5	0.3	12.3	**7**	14.0	6.1	16.5	**3**	16.0	**6**
Harsco	17.1	**8**	16.1	0.4	12.3	**8**	13.9	5.0	14.5	**7**	12.0	**9**
Midland-Ross	15.5	**9**	11.3	0.4	8.5	**9**	12.0	3.4	14.5	**6**	15.2	**7**
Ingersoll-Rand	14.9	**10**	15.1	0.5	10.2	**11**	11.1	5.2	13.8	**8**	6.8	**13**
Eagle-Picher Inds	14.6	**11**	10.2	0.4	7.6	**10**	11.5	3.5	10.2	**13**	7.8	**12**
Acme-Cleveland	13.7	**12**	9.1	0.6	7.4	**12**	10.4	2.7	15.1	**5**	19.1	**4**
H K Porter	11.7	**13**	3.5	0.5	5.0	**13**	9.1	0.9	15.2	**4**	16.5	**5**
Chic Pneumatic Tool	7.5	**14**	3.7	0.7	4.5	**14**	7.7	1.3	11.2	**12**	–3.6	**14**
Medians	**17.1**		**15.1**	**0.4**	**10.9**		**14.0**	**5.1**	**14.2**		**14.1**	
Specialty equip, materials												
Trinity Industries	29.1%	**1**	32.6%	0.6	22.8%	**1**	22.1%	6.4%	20.9%	**6**	25.1%	**3**
Cooper Industries	24.6	**2**	21.6	0.3	21.2	**2**	21.6	8.0	30.7	**1**	23.9	**4**
Foster Wheeler	24.4	**3**	22.0	0.1	19.6	**3**	20.3	3.7	13.6	**14**	26.9	**2**
Tyler	22.5	**4**	25.1	0.6	17.5	**6**	16.2	4.5	14.9	**9**	16.1	**12**
Harris Corp	21.1	**5**	20.8	0.3	13.7	**8**	15.9	6.6	18.5	**7**	32.1	**1**
Ametek	21.0	**6**	20.4	0.4	14.3	**7**	16.1	5.9	12.2	**20**	13.4	**16**
Combustion Engineering	19.7	**7**	21.3	0.2	13.8	**17**	12.9	3.6	13.6	**15**	19.2	**9**
Big Three Industries	19.4	**8**	21.8	0.3	16.2	**10**	14.8	13.0	25.9	**4**	23.7	**5**
Tecumseh Products	18.7	**9**	19.0	0.0	19.0	**4**	18.7	7.1	9.5	**23**	12.3	**19**
Illinois Tool Works	18.5	**10**	15.2	0.0	14.8	**5**	17.9	9.1	12.9	**17**	14.5	**14**
Zurn Industries	17.9	**11**	18.0	0.3	12.9	**19**	12.8	5.1	8.3	**26**	21.3	**6**
Wheelabrator-Frye	17.6	**12**	13.2	0.3	9.6	**13**	14.0	4.5	28.6	**2**	19.3	**8**
Stanadyne	17.5	**13**	18.6	0.2	15.2	**11**	14.7	5.3	13.3	**16**	10.7	**20**
Emhart	17.0	**14**	12.6	0.1	11.2	**12**	14.3	3.2	26.9	**3**	12.5	**18**
General Signal	16.5	**15**	16.9	0.1	15.7	**9**	15.3	6.9	22.1	**5**	18.2	**10**

Note: Explanation of Yardsticks calculations on page 51.
††Three-year average. ‡Four-year growth.

Here comes R2D2

Can robots and automated machining systems rescue the savaged machinery business? Maybe not by themselves. But a big market is projected by 1985, and a few companies—Cross & Trecker, Cincinnati Milacron, Acme-Cleveland, Giddings & Lewis and Ex-Cell-O—are getting ready for it.

Some studies say automation will be 40% of capital spending by industry in 1985. The U.S. is far behind. Analysts say Caterpillar Tractor is the leader among big U.S. companies—about 10% of its machine tools are computer controlled. But according to *American Machinist,* the average among all U.S. businesses is less than 2%.

So there's a big future need to fill, and the leaders are gearing up. Cross & Trecker has built an 87,000-square-foot plant to increase its manufacturing capacity by 30%. Acme-Cleveland will spend $4.5 million on R&D for automated systems in fiscal 1982.

A machine tool maker must be not only farsighted but also financially strong to do that now: A recession is hardly the time to expect companies to make the considerable investment required. "Demand right now is in the pits," concedes Bernard Howaniec, a Cross & Trecker product manager. "This will be a crummy year," says Mitchell Quain, a machinery analyst with Wertheim & Co. "Until operating rates move higher, few companies can afford to buy these nifty products."

What will it do for productivity? A lot. About 75% of U.S. metalworking, for example, is still highly inefficient. It's often a case of one man working one machine. Flexible manufacturing systems—automated machines controlled by a central computer—could mean huge increases in efficiency. But those systems are expensive. Says one executive, "There are less than 100 such systems in the world," and they cost $5 million to $10 million each.

Production of all robots—machines with built-in controls capable of stand-alone operation—is now a $130 million-a-year industry, growing fast—about 50% a year, according to some estimates. Cincinnati Milacron began to offer robots about five years ago, and analysts estimate it has invested $4 million a year in R&D. CM's robot sales, about $40 million last year, are only about 5% of total revenues. With growth rates of 40% or so, the percentage should climb.

But in that promising market will be a familiar competitor—the Japanese, who now have about 30% of the U.S. computerized machine tool market.—**Anne Field**

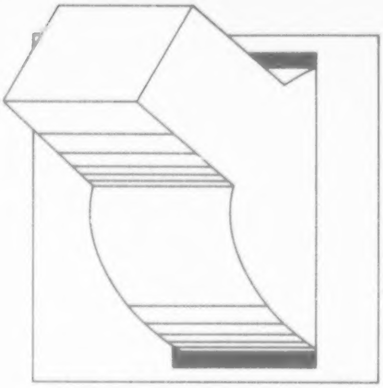
Industrial equipment and services

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Dennison Mfg	16.3%	16	16.2%	0.2	14.0%	14	13.8%	5.2%	14.1%	13	12.9%	17
Rexnord	15.0	17	9.9	0.5	7.5	22	12.2	3.3	14.2	12	9.4	23
Signode	14.6	18	10.2	0.1	8.6	21	12.3	4.5	12.0	22	9.8	22
Ex-Cell-O	14.5	19	14.6	0.2	12.3	16	13.2	4.9	18.4	8	15.8	13
Timken	14.2	20	12.7	0.0	11.8	15	13.2	6.8	12.6	18	10.3	21
Foxboro	14.1	21	11.7	0.1	10.9	18	12.8	5.8	14.3	11	17.1	11
Avery International	14.1	22	12.7	0.4	9.8	23	10.3	3.5	14.8	10	13.4	15
Stewart-Warner	13.0	23	9.6	0.0	9.4	20	12.8	5.1	6.3	29	6.3	24
Amerace	12.3	24	9.9	0.5	6.7	26	7.7	3.0	7.7	27	2.8	26
UMC Industries	12.1	25	10.3	0.7	7.3	24	10.1	3.2	9.4	24	3.1	25
Research-Cottrell	10.7	26	10.3	0.3	8.6	25	10.0	2.2	12.6	19	19.4	7
General Refractories	def	27	def	0.6	def	27	0.4	def	8.9	25	P-D	27
Envirotech	def	28	def	0.3	def	28	def	def	7.6	28	P-D	27
Peabody Intl	**		def	0.4	def		**	def	12.1‡	21	P-D	27
Medians	**16.8**		**14.6**	**0.3**	**12.3**		**13.5**	**4.9**	**13.6**		**13.4**	
Industrial services												
Gelco	27.6%	1	31.7%	6.3	9.1%	5	8.0%	6.0%	50.8%	1	34.9%	1
Waste Management	22.9	2	23.7	0.3	17.5	1	15.5	10.7	25.1	2	30.4	2
Anixter Brothers	19.0	3	27.8	0.5	21.3	2	14.1	4.2	17.2	3	22.8	3
Browning-Ferris Inds	16.8	4	20.3	0.5	13.1	4	10.9	7.0	12.6	4	16.5	4
Allied Maintenance	14.1	5	16.4	0.0	15.9	3	13.7	1.9	10.9	5	4.9	5
Medians	**19.0**		**23.7**	**0.5**	**15.9**		**13.7**	**6.0**	**17.2**		**22.8**	
Industry medians	**17.1**		**15.4**	**0.3**	**12.3**		**13.8**	**5.1**	**13.7**		**14.9**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
‡Four-year growth. P-D: profit to deficit. def: deficit. **Not available; not ranked.

Rising energy costs are an onerous burden to most companies. Why are they such a boon to the electrical equipment industry?



Electrical equipment

By Laura Rohmann

KNOWN FOR ITS consistent growth and rigorous planning system *(see* FORBES *Mar. 20, 1978),* St. Louis-based Emerson Electric Co. recently completed its 24th consecutive year of earnings growth. As some of its larger competitors diversify into areas outside the industry, Emerson's youthful chairman, Chuck Knight, 45, is keeping his emphasis firmly on electrical equipment.

FORBES talked with Knight about the recession and his hopes for the industry in 1982.

How does Emerson plan to maintain its growth record through the recession?

Knight: You know, it's funny—we've been getting ready for this recession for two years now. I thought that it was coming in 1980. Now I think we're into an important recession for the next six to nine months. But we are still expecting to outperform the economy. Throughout 1982, I expect energy-related, process control and government businesses will continue strong. Those are backlog businesses for the most part, and they are in pretty good shape. In fact, government and defense will have record years in 1982. So will the process control and energy-related businesses.

How about the rest of the industry?

Knight: Everybody is going to find it very tough in the appliance, consumer, tool and housing markets. We're going to find better markets in utility and capital-related businesses. Defense, energy efficiency and productivity improvement will be *the* markets for the next few years.

I also think this recession will end a little differently. I believe the recovery will start with the capital goods businesses, as a result of the new tax law. I expect the last half of 1982, with the full impact of the Economic Recovery Tax Act in place, to be a reasonable year.

What if the federal deficit keeps interest rates fairly high? Will the new tax law be enough to spur a recovery?

Knight: As long as I've been at Emerson, I've been hearing the theory about government spending crowding out business in the market for money. It just never happens to the extent that's predicted. Now it's happened somewhat this time, but we're still looking for interest rates to come

Electrical equipment

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Square D	25.5%	1	25.0%	0.3	19.9%	1	20.6%	9.3%	14.6%	6	14.8%	6
Emerson Electric	21.5	2	22.1	0.2	19.6	3	19.7	8.0	18.5	3	15.1	5
General Electric	20.6	3	19.6	0.1	18.1	4	18.0	6.1	11.6	8	12.4	7
W W Grainger	20.4	4	19.0	0.0	18.8	2	20.0	6.5	18.4	4	18.1	4
Johnson Controls	18.8	5	14.7	0.3	11.6	7	15.5	4.3	24.9	1	23.0	2
Raychem	17.7	6	16.7	0.1	14.8	6	16.3	7.4	24.1	2	30.1	1
Harvey Hubbell	17.2	7	18.1	0.0	15.9	5	16.7	7.7	15.8	5	11.4	8
Westinghouse Electric	15.0	8	17.4	0.1	15.4	8	12.8	4.9	5.7	10	18.3	3
McGraw-Edison	13.2	9	11.8	1.0	9.5	9	12.2	2.7	13.5	7	10.5	9
Robertshaw Controls	10.1	10	9.2	0.4	7.8	10	8.2	2.8	10.1	9	7.0	10
Industry medians	**18.3**		**17.8**	**0.1**	**16.2**		**16.5**	**6.3**	**15.2**		**15.0**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.

down slowly in 1982. There may be a leveling period in this drop, when short-term debt is converted to long-term debt. And I expect interest rates to come down *very slowly*, which is why I don't expect housing to lead the recovery. But I expect the Economic Recovery Tax Act will offset the slowness of the interest rate fall, and together they will spur capital spending.

And don't misunderstand me. Right now, nonresidential construction spending and capital goods spending are not good, but they're not bad, and they may never get bad. So I expect these two areas to provide a stabilizing force through 1982 or to lead the recovery in the second half of 1982.

I also expect consumer spending to come back in late 1982. I think there's a pent-up demand for replacement of consumer durables. That will add to the recovery. It isn't just the capital spending strength that will do it. It has to combine with other factors.

How important will defense work be to the industry's strength?

Knight: Some companies are not in defense work at all, but for those who are, their defense businesses will have excellent years. The new defense budget provides for a real increase in spending and a couple of new programs. We're looking for a good market for the next five years. But keep in mind, at Emerson, for instance, only 8% of our total sales are in defense. And that's characteristic of the rest of the industry. So defense is just a help, it's not a dominating thing.

You said earlier that you expect process control to be a strong business in 1982. For what reasons, and how long will that market remain strong after 1982?

Knight: I continue to be amazed by the fundamental strengths of the energy-related process control business. We're bidding on some major new projects now, and all of them depend on the efficient use of very valuable commodities, like oil. These people have money to spend and they're going to spend it. The process control business is coming from all industries where they are trying to conserve energy and improve production efficiency. They want to maximize output at minimum cost, and I see no slacking in that demand in 1982.

As for future demand, these people are upgrading process control systems that may be relatively unsophisticated. And they're upgrading based on returns. So as long as it's cost efficient to upgrade, the market will last. But I'm not enough of a clairvoyant to know exactly how long that will be.

The electrical equipment industry outperformed Forbes' *all-industry performance median by a few percentage points this year. Why has this been such a healthy industry?*

Knight: Those companies are really good companies, all well managed, and they've all done a good job over the years of diversifying in the business. And, of course, all of us have benefited from being in good markets, but we've also done our best to insure that we were. Some of us were heavily into utilities work, and that market has been no good in the last five years. Some of us were in nuclear work, and, of course, the domestic nuclear business has disappeared. And look at housing. End-point to end-point, it has not been a very exciting market. But we've gone into stronger markets within the industry, like defense and energy. And if capital and consumer spending recover next year, as I expect they will, I think, on the average, the electrical equipment industry will outperform the market or the all-industry performance average again.

We're into an important recession for the next six to nine months. But we are still expecting to outperform the economy. Throughout 1982, I expect energy-related, process control and government businesses will continue strong.

Over the years, Emerson has made many acquisitions and moved into these stronger market areas, but you haven't diversified into areas outside the electrical equipment industry.

Knight: No, and I doubt that we will. We want to stick to our knitting, do what we know best. But in all our strategic planning we try to inch the company into faster-growing areas. If you look at our acquisitions, you'll see we've tried to position ourselves in higher technology areas and in areas related to energy conservation and development. While none of those acquisitions by themselves are big moves, when you add them up you can see where we are heading.

What do you think of some other diversification in the industry?

Knight: Obviously, the one move we've all seen is the move to electronics. But we're all affected by it. At least 50% of Emerson's businesses are related to electronics. For example, almost all our process control and more than 50% of our government and defense work are directly related to electronics. Almost all industrial drive and control equipment has some electronic content. Even bench products and tools now have electronic content. It's a rapidly expanding thing, so I don't consider that a diversification outside of the industry.

Do you anticipate any increased competition in the industry?

Knight: Well, we may see increased offshore activity in some of our markets, but not to the extent that certain other industries have seen it. There's a lot of industrial and commercial orientation to the business. You go through distribution systems that have been long established. There's a lot of engineered content and application engineering in the product.

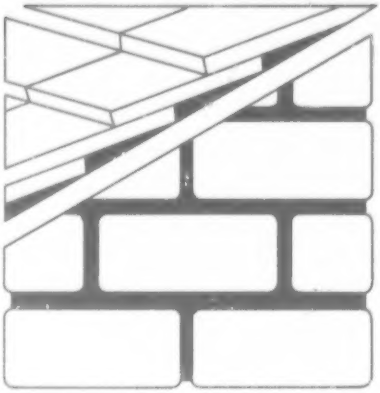
But don't you have those same factors in electronics and other industries where we have seen increased offshore competition?

Knight: In those cases, some of the economies of scale got very important. And there may be no opportunity for those economies in some of the equipment areas. But offshore competition is a concern in some areas and we watch it closely.

We were in consumer electronics, and it was a very serious threat. We ended up selling our major business, Fisher Radio Corp., to a Japanese company. In process control, there are some very fine Japanese and European competitors. But I don't think any fundamentals exist that would permit offshore competitors to get a major advantage. As long as we spend money on R&D and do a good job in controlling our manufacturing costs and our quality levels, there's no reason why we shouldn't be able to maintain our competitive advantage in this marketplace.

I feel very optimistic about the electrical equipment industry in the 1980s. If the Administration will stick to its guns and not fold under the pressure of high unemployment rates, high interest rates and the recession we're in, if we can soak inflation out of this economy, we'll probably see a slow but steady recovery in the early 1980s and very strong markets for our fundamental businesses. I think there will be a real boom in capital equipment, especially on the productivity side. The fundamentals are getting in place for us to have a solid five years for our industry. ■

If your company can survive a "slump" that has persisted for the past three years, it can probably survive just about anything.



Building materials

By Jonathan Greenberg

"THIS THING AIN'T gonna last forever," says Frank Herbert cheerfully. "At 14% [mortgage loan rates], we'll be back in business. There's a pent-up demand for 2 million housing starts a year for the next ten years."

Herbert is senior vice president of Jim Walter Corp., the big (1981 sales, $2 billion) building materials and natural resources company. His is the cheerfulness born of stoicism. After all, the housing "slump" has been going on since November 1978. If it goes on another six months or eight months or another year, what then? Well, the survivors will go on surviving. For them, prosperity is a happy memory. By now, the companies that make lumber, gypsum, roofing materials and glass are lean and mean.

Look what has just happened to them. Compared with 1980, which was bleak enough, 1981 was a disaster. Housing starts, at about 1 million, hit their lowest level since 1946. Thus the industry talks about recession not in the present or future tense, but as something that has been around for a long time. "You've got to look at how deep this recession has been," says Herman J. Smith, president of the National Association of Home Builders. "In housing it started 36 months ago and has grown progressively worse ever since."

What to do? To keep volume up in a declining market, many building materials companies, especially regional suppliers, cut their prices. So, despite inflation's pushing up their own costs, manufacturers of roofing, cement and gypsum, such as Jim Walter, Lone Star Industries and Manville Corp. had to slash their prices by about 10%. Result: Margins shrank paper-thin or disappeared. At Manville, for example, roofing products operations earned $7.76 million in the first nine months of 1980—but lost $12.4 million in the same period in 1981. Some other Manville product lines were down over 25%, and per-share earnings were off 50% from last year. That's a precipitous four-fifths drop since the prosperous days of 1978.

Even diversification can boomerang. Jim Walter has spent $284 million since 1978 developing its six coal mines. The company's earnings plunged 80% last year, partly because of a 50% rise in annual interest expense. Still, says Herbert, the diversification will pay off eventually. Says he: "It's changing our very nature from a building materials company to a natural resources company."

Virtually the only building material shielded from the downswing has been fiberglass. That's why Owens-Corning Fiberglas, the leading manufacturer of glass fiber products, registered a 30% earnings gain in the first three quarters of 1981. With energy costs rising, more insulation is going into new homes, and homeowners are reinsulating old ones.

In commercial construction, says Carmine J. Muratore, executive vice president of cementmaker Lone Star Industries, there is a backlog of demand that was stopped virtually in its tracks in early 1980. "Because of the abruptness in the way interest rates rose, you had a complete stoppage," Muratore says. "There's a very significant underlying desire just waiting out there."

"Underlying desire"? Sounds suspiciously like pent-up demand—the building materials companies' favorite term. But, in fact, that pent-up demand should not be taken for granted. For example, housing "may not auto-

Insulating a home to cut energy costs
Nothing but the bare necessities.

matically be back in business at 14%," in the view of some experts. "There is tremendous pressure on savings and loans to diversify into investments other than home mortgages, like consumer loans," says Goldman, Sachs analyst Morris Mark. "It will be more difficult to get mortgage money than it would have been at a comparable point in the interest rate cycle previously, and you'll have to pay a higher rate. You can't look to housing to lead us out of the recession."

Maybe not, but you may have a hard time convincing someone like Graham J. Morgan, CEO of U.S. Gypsum Co. Morgan has been in this business for 42 years, and he's confident the dam will break sooner or later. He has cut his payroll by 2,500 workers in 18 months and slashed inventory and new capital commitments "to get rid of all the fat." Now he's looking ahead. When the rates come down, he says, "we should experience perhaps the highest level of prosperity we've ever known." He means it. ■

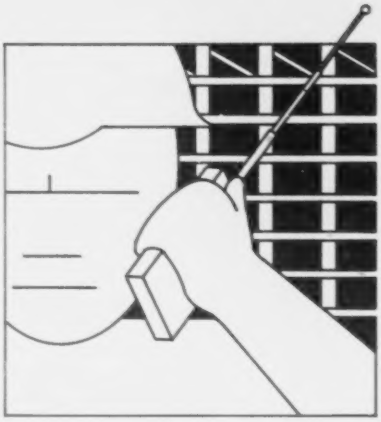
Building materials

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Lumber												
Willamette Inds	16.9%	1	9.1%	0.5	6.9%	1	12.4%	3.9%	16.8%	2	9.4%	4
Georgia-Pacific	15.8	2	9.1	0.5	6.0	3	10.1	3.7	15.0	3	9.2	5
Weyerhaeuser	15.3	3	7.6	0.5	6.3	2	10.9	5.0	11.7	5	6.6	6
Louisiana-Pacific	15.0	4	4.7	0.2	3.6	4	9.9	2.9	21.1	1	9.9	3
Champion Intl	14.0	5	8.0	0.4	5.9	6	8.7	3.4	8.8	8	5.9	7
Boise Cascade	12.9	6	9.4	0.6	6.4	5	9.4	3.8	13.9	4	31.6	1
Southwest Forest Inds	12.3	7	5.6	1.0	5.7	7	8.5	2.5	9.4	7	15.2	2
Edward Hines Lumber	5.3	8	def	0.3	def	8	5.4	def	10.1	6	-6.0	8
Medians	14.5		7.8	0.5	6.0		9.7	3.6	12.8		9.3	
Cement and gypsum												
United States Gypsum	17.3%	1	11.6%	0.2	9.0%	1	12.4%	5.1%	11.8%	2	20.3%	1
Ideal Basic Inds	16.5	2	11.2	0.7	5.4	3	10.9	8.7	11.3	3	12.1	5
Gifford-Hill	15.5	3	14.6	1.4	10.6	2	11.3	4.3	16.1	1	15.3	2
Lone Star Industries	[illegible]	4	11.8	0.6	7.8	5	9.9	5.6	8.0	5	14.9	4
National Gypsum	13.9	5	9.2	0.3	7.2	4	10.5	5.3	8.4	4	14.9	3
Penn-Dixie Inds	def	6	def	0.7	def	6	def	def	1.0	6	P–D	6
Medians	15.2		11.4	0.7	7.5		10.7	5.2	9.9		14.9	
Other building materials												
Evans Products	17.0%	1	5.3%	1.0	4.9%	4	11.2%	1.4%	6.6%	12	37.8%	1
H H Robertson	16.6	2	23.8	0.4	18.0	1	12.8	4.3	9.2	8	16.5	3
Owens-Corning Fbrgls	16.1	3	8.6	0.4	6.7	3	12.4	2.7	19.9	1	14.9	4
Masonite	14.6	4	10.2	0.1	9.0	2	12.7	5.0	10.3	6	11.4	5
PPG Industries	14.2	5	15.5	0.3	11.4	5	10.6	6.9	11.2	4	10.7	6
DeSoto	12.9	6	12.4	0.3	10.2	6	10.3	3.5	5.3	14	16.7	2
Jim Walter	12.8	7	2.7	0.8	3.2	10	8.2	1.0	9.9	7	3.6	10
Interpace	12.2	8	9.6	0.3	7.6	8	8.3	3.7	5.6	13	10.6	7
Manville	10.4	9	3.5	0.4	4.4	9	8.2	2.6	13.6	2	7.0	8
Armstrong World Inds	10.2	10	9.8	0.2	8.5	7	8.5	4.1	8.7	9	4.6	9
Ceco	9.9	11	12.2	0.2	9.9	11	8.2	3.1	8.4	11	3.1	11
Certain-teed	8.3	12	def	0.4	0.9	12	7.1	def	10.8	5	-0.2	12
Sherwin-Williams	5.4	13	12.5	0.7	8.2	14	4.2	2.5	8.7	10	-8.0	13
Bird & Son	5.3	14	def	0.2	def	13	6.0	def	12.3	3	-18.5	14
Medians	12.5		9.7	0.4	7.9		8.4	2.9	9.6		8.8	
Building equipment												
Dover	26.7%	1	28.3%	0.1	25.3%	1	23.1%	9.3%	17.8%	2	22.3%	3
American Standard	25.2	2	21.3	0.4	14.6	2	17.2	5.4	8.0	7	29.1	1
Masco	23.9	3	22.4	0.9	12.6	4	14.5	10.0	20.5	1	18.2	4
Norris Industries	17.0	4	14.0	0.1	13.0	3	15.6	5.5	10.3	4	9.9	6
Scovill	15.6	5	9.9	0.6	8.8	6	11.6	2.2	8.1	6	28.2	2
Butler Manufacturing	15.6	6	10.9	0.2	9.5	5	12.9	4.1	10.1	5	8.5	7
Trane	13.4	7	13.2	0.4	10.0	7	10.8	4.1	12.3	3	15.1	5
Medians	17.0		14.0	0.4	12.6		14.5	5.4	10.3		18.2	
Industry medians	14.6		9.8	0.4	7.6		10.5	3.8	10.3		10.7	
All-industry medians	15.5		14.7	0.4	10.9		11.1	4.5	14.0		12.5	

Note: Explanation of Yardsticks calculations on page 51.
P-D: profit to deficit. def: deficit.

You can't go home again, said Thomas Wolfe. The big engineering and construction companies tried it anyway. So far, Wolfe is right.



Contractors

By Anne Bagamery

"WE'RE VERY CONFIDENT the economy will pick up in mid-1982, as it's expected to do," says Winton (Red) Blount, chairman of Montgomery, Ala.-based Blount, Inc. "Then again," he adds with a rueful chuckle, "that's what we said last year."

Last year was a rueful story indeed. That's when the big American engineering and construction firms were supposed to get mountains of domestic work: $5 billion in manufacturing-plant improvements, another $5 billion in refinery upgradings, a whopping $12 billion in synthetic-fuels plants. That landslide couldn't have been better timed, since American companies have been badly squeezed by foreigners in markets they used to own in the rest of the world.

But the big domestic bonanza is still aborning. Interest rates are only grudgingly giving way, gasoline demand has plummeted and the Reagan Administration has turned a cold shoulder to synfuels. Result: "We were lucky to compete for half the work we were promised," says T.J. Feehan, president of the big Brown & Root subsidiary of Halliburton Co. "We even saw a softening in *Houston*, for God's sake."

Admittedly, firms like Brown & Root, Fluor and Parsons can live comfortably off their multibillion-dollar backlogs until U.S. capital spending gets going. But only a few giant engineering companies can do that. What are the others to do in the meantime? Answer: Go back overseas to try to get the kind of mammoth engineering and construction projects that used to be American companies' stock in trade but which have been increasingly captured by the Japanese and Koreans. Now, too, the competition isn't only the upstart Asians but also big European firms such as Technip of France, Snamprogetti of Italy and George Wimpey Ltd. of the U.K.

"We've seen the end of the glory days when American companies would waltz off with any project virtually unchallenged," says one Wall Street analyst. "The Americans are having to earn their way overseas as they never have before."

What are the stakes overseas? Take the Middle East. Refining, petrochemical plants and urban development alone are expected to amount to $100 billion in contracts over the next five years. South America, pushing to develop its domestic oil and minerals industries, should account

Workers on a Blount-built housing and medical development in Tabuk, Saudi Arabia
"Americans are having to earn their way overseas as never before."

"Everything is relative"

The U.S. is the biggest, most robust home-building market in the world," says Houston builder Walter Armstrong. "You can't believe how good it is over here."

Wait a minute—robust? Yes, says Armstrong. He is vice president of American SCREG, the U.S. arm of France's second-largest home builder, and as he explains: "Everything is relative."

SCREG (for Société Chimique Routière et d'Entreprise Générale) is one of a dozen or more French, Japanese, Canadian and other foreign home builders moving into the U.S. Sick though Americans may think the industry to be, foreigners think it's great. Says Armstrong: "In France, land is at a premium, inflation has been 25% a year and you have to give your workers six weeks' vacation or they won't touch a nail."

Besides, he figures Americans are ready for European-style homes. "They're getting away from the traditional picture of a big house with a lot of yard and a wooden fence around it. They can't afford that anymore, so they'll have to settle for a simpler, smaller, more modularized home—just the kind the Europeans have been building for years."

SCREG entered the U.S. seven years ago by buying a smallish Houston home builder and then moved into Dallas a year later, hoping to cash in on a homebuilding boom it figured local firms wouldn't be able to supply. That was cheeky since the "local" firms are Houston-based U.S. Home and Dallas-based Centex, the two biggest U.S. builders. Still, by sticking to simple designs and low-cost construction, Armstrong, a 48-year-old native Clevelander, has seen his sales jump from $2 million to $50 million in just three years.

The Americans are taking note. Last year U.S. Home started building European-size houses in Florida in a joint venture with Société des Maisons Phénix, France's largest home builder (and 18% owner of U.S. Home). Three big Canadian developers also have single-family housing divisions in the U.S. And two years ago Japan's big Daiwa House Corp. set up its first American subsidiary, Daiwa House Corp. of Texas; its sales have gone from $2 million to over $10 million.

American SCREG's Hamlet Cherbourg in Houston

How do the foreigners cope with high interest rates? For one thing, says Armstrong, they're used to it; 20% mortgages have been traditional in Europe for decades. So American SCREG plans for periodic slumps—eliminating costly middle management, keeping sales projections low. "We don't take a really optimistic approach," says Armstrong. "That way we're often pleasantly surprised."

But although they are noticing, the big American firms don't seem overly worried by the foreign invasion so far. They figure that, when housing does turn up, there will be more than enough work to go around. They had better hope so. Remarks a Japanese banker: "Now that Daiwa House is here, I'm sure the other Japanese companies will come, too. It's only a matter of time."—**A.B.**

Contractors

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Heavy construction												
Parsons	29.7%	1	27.7%	0.2	24.2%	1	23.5%	3.2%	9.4%	11	26.0%	1
Fluor	24.2	2	22.0	0.1	14.1	3	18.9	2.2	31.6	3	25.3	2
Kaneb Services	23.3	3	17.3	0.6	11.6	4	13.8	9.2	37.1	1	13.5	6
Blount	19.8	4	13.8	0.8	8.5	6	12.4	1.3	11.2	10	15.8	4
Turner Construction	19.2	5	25.0	0.0	25.7	2	19.3	0.5	14.8	7	10.7	8
Morrison-Knudsen	16.5	6	14.7	0.1	13.0	5	12.9	1.8	14.4	8	20.6	3

Note: Explanation of Yardsticks calculations on page 51.

for another $25 billion. Then there are billions of dollars more in Australia, with its underdeveloped aluminum, coal and oil shale properties; the mineral-rich countries of Central Africa; and the fledgling oil industry in Southeast Asia.

Overall, the international market is reckoned at over $100 billion. True, the U.S. domestic market is about the same size. But margins can be twice as high overseas, and the market is still largely untapped. Tapping that market, though, once taken for granted, is now difficult. U.S. companies once had a clear technical advantage. "We used to be able to march on the scene and declare, 'Hi, we're the great Brown & Root, and we have the best drilling rig in the world,' " says B&R's Feehan. "Now, Snamprogetti has a rig that's every bit as good as ours and competitively priced." The Europeans and Asians, too, often have the financial backing of their home governments. Result: Americans have been pushed out of some markets—South America, for example—and into narrow corners of others, such as the Middle East.

"Unless the project requires very specialized expertise, which we alone possess, we're trying to stay out of very competitive markets," explains F.R. Mason, senior vice president of Raymond International. "Often there's just no way we can compete on cost."

Of course, one way to beat the competition is to join it. In the past two years, American firms have formed joint ventures with the foreigners on more than half a dozen big contracts, including the $1.7 billion University of Riyadh that Blount will build in Saudi Arabia with Bouygues of France.

"We used to be able to march on the scene and declare, 'Hi, we're the great Brown & Root, and we have the best drilling rig in the world.' Now, Snamprogetti has a rig that's as good as ours and competitively priced." Result: Americans have been pushed out of some markets.

For the most part, though, U.S. firms are dealing with the competition by trying to avoid it—concentrating on markets the Europeans haven't yet really exploited, such as Southeast Asia. But that can expose U.S. firms to a good deal more risk, since many of those untouched markets are international hot spots. Raymond International, for example, is helping build a huge aluminum smelter in Libya, and Blount is looking hungrily at Egypt. Could they be forgetting that Brown & Root and SEDCO are still out over $200 million in claims against Iran?

Not to worry, says Raymond's Mason: If anything, the U.S. firms are "paranoid" after what happened in Iran. They have taken out $500 million worth of insurance since 1979 with the government's Overseas Private Investment Corp. In fact, Brown & Root even insures small offshore projects in Mexico, just two hours away from its Houston headquarters. "I know it's hard to think of Mexico as foreign," says Feehan. "But these days we have to go to the darnedest places for work, and wherever we go we have to hold our breath." ■

Contractors

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Raymond Intl	15.9%	**7**	11.0%	0.3	9.5%	**7**	12.3%	1.6%	25.4%	**4**	14.6%	**5**
Fischbach	14.6	**8**	16.9	0.3	13.6	**8**	11.5	1.9	8.8	**12**	7.1	**10**
Dravo	11.6	**9**	7.1	0.3	6.9	**9**	10.4	1.3	13.0	**9**	5.9	**11**
McDermott	11.4	**10**	13.3	0.3	8.6	**10**	8.9	4.0	32.4	**2**	–0.9	**12**
Dynalectron	10.2	**11**	20.9	0.4	16.3	**11**	8.6	2.5	20.1	**5**	11.7	**7**
Perini	9.3	**12**	16.9	0.1	12.8	**12**	7.2	1.7	19.0	**6**	8.9	**9**
Medians	**16.2**		**16.9**	**0.3**	**12.9**		**12.4**	**1.9**	**16.9**		**12.6**	
Home building												
Centex	22.8%	**1**	11.4%	0.4	7.2%	**3**	9.9%	3.2%	21.7%	**1**	26.7%	**3**
U S Home	21.1	**2**	11.5	0.8	6.0	**2**	10.7	2.7	20.1	**2**	31.4	**2**
Ryan Homes	17.1	**3**	8.6	0.2	8.1	**1**	15.4	2.4	16.4	**3**	9.2	**5**
Kaufman & Broad	11.2	**4**	6.7	0.5	5.2	**5**	8.5	2.3	8.3	**5**	37.6	**1**
Del E Webb	10.5	**5**	9.2	1.2	3.0	**4**	9.2	2.2	9.1	**4**	11.5	**4**
Medians	**17.1**		**9.2**	**0.5**	**6.0**		**9.9**	**2.4**	**16.4**		**26.7**	
Oil field drillers												
Parker Drilling	27.0%	**1**	32.4%	0.6	23.4%	**2**	16.6%	13.6%	33.1%	**1**	29.4%	**1**
Halliburton	23.0	**2**	23.9	0.2	18.9	**1**	18.7	7.6	18.3	**3**	21.5	**3**
Santa Fe Intl	20.7	**3**	29.7	0.6	17.9	**3**	12.5	11.1	25.9	**2**	23.6	**2**
Reading & Bates	19.0	**4**	24.9	0.6	14.9	**4**	12.0	17.1	17.4	**4**	16.6	**4**
SEDCO	15.8	**5**	27.9	0.7	16.8	**5**	9.9	25.1	14.1	**5**	11.9	**5**
Medians	**20.7**		**27.9**	**0.6**	**17.9**		**12.5**	**13.6**	**18.3**		**21.5**	
Industry medians	**18.1**		**16.9**	**0.4**	**12.9**		**12.2**	**2.5**	**17.9**		**15.2**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.

After all those years tied to Detroit's apron strings, asking auto suppliers to expand overseas is like asking it of a Sears supplier. But the world car will require the world supplier.

Auto suppliers

By Lisa Gross

TALK ABOUT GOING OUT in the cold: Fully 20 of the 30 major U.S. auto supply companies won't survive as pure auto suppliers past the middle of this decade, predicts Robert Orsini, vice president of Cleveland's Wm. C. Roney & Co. The restructuring required will be massive, and few of them, he says, have the money, let alone the inclination.

Indeed, some have already called it quits in auto supply. Take $2.5 billion (1980 sales) Dana Corp., for example. Although 30% of Dana's business is still in trucks and 7% in passenger cars, it no longer considers itself an across-the-board automotive supplier. Carl Hirsch, Dana's vice president of corporate planning, says Dana will concentrate in the future on components for hydraulics, electronics and mechanical transmissions—for industrial markets, not autos.

The big hurdle, of course, is that auto suppliers must soon be in business all over the world because cars will be manufactured all over the world. After all those years tied to Detroit's apron strings, that's a tough decision—like asking a Sears supplier to open plants in Belgium, Holland and Argentina. On this point, says Orsini, a good many auto supply companies "have blinders on. They're spending too much time blaming things like interest rates instead of facing up to their problems."

But farsighted companies have already made the first steps. Take $451 million (1980 sales) Sheller-Globe, whose return on equity last year was 17.5%, up from a negative return in 1980. How was it done? By cutting back capacity—Sheller-Globe can break even on a 5 million-unit yearly domestic auto production—and shutting down its tool-and-die and padded-products businesses. "We're moving into the world-car concept rapidly, and we'll be making acquisitions in the European market," says Chairman Chester Devenow.

The Bristol, Conn.-headquartered Barnes Group has been moving overseas for more than a decade, and now provides parts to companies like General Motors and W. Germany's Robert Bosch. "In the late 1960s we decided worldwide sourcing was where to be," says Chairman Wallace Barnes. "We moved into Germany, Holland, England, Sweden, France, Spain, Mexico,

Making ITT brakeline tubing in Europe
Get out into the world, or get out.

If it's good for GM, is it good for A.O. Smith?

There's a stubborn streak running through A.O. Smith Corp. Three years ago GM decided to phase out a full 70% of Smith's auto-division production by 1985. Result: The Milwaukee-based chassis builder's 1979 profits dropped 106%, to a $1.7 million loss, in 1980. After an experience like that, you would think Smith would move heaven and earth to spread its customer base.

Not at all. Smith has spent more than $20 million on a rear-axle manufacturing plant in Tennessee to supply GM (which uses Smith axles)—and Chrysler. It *is* a diversification from frames, and Smith *is* adding another customer. But it will still have 50% of its eggs in just two Detroit baskets. Says Timothy Reiland of Robert W. Baird & Co.: "Smith needs a 9-million-plus car market to return to acceptable levels of profitability." What it's likely to get is 8.5 million units at best for 1982, *maybe* 10 million in 1985. The strategy? "First of all, the frame business isn't ailing compared with 1980," says J.R. Parker, Smith's 64-year-old company president. "We're not at all pessimistic." Why? The old story: "There's a lot of pent-up demand out there."

What does it prove? Probably two things: 1) that Smith is committed—stubborn as a mule, some would say—when it comes to the U.S. auto business; and 2) that it's betting the future on one customer that has rejected it to a great degree already and another whose future is at best uncertain.—**Bess Gallanis**

Brazil and Argentina."

Perhaps the best positioned of all is International Telephone & Telegraph's $1.8 billion (1981 sales) automotive division. A full 55% of that $1.8 billion came from outside the U.S. in 1981.

ITT, of course, was accustomed to thinking in global terms because of its worldwide communications business. So it entered the auto supply business in the early Seventies by buying parts companies such as Holland's Koni Industries (shock absorbers), Italian-based IAO (mufflers, oil seals) and Higbee Industries (tubing for diesel injection systems and brakes), based in the U.S. but with plants in Germany and England.

Of course, ITT knows that auto production is still the key, wherever the market is, and the huge North American market is still the major part of it. "It will be a slow first half," says Edmund Carpenter, an ITT vice president and automotive group executive. "We're hoping for increased sales in the third and fourth quarters. But overall we're planning for a flat year, especially in North America."

Getting overseas is not the only problem. As auto companies retool, so must their suppliers. In fact, it's estimated that the suppliers must match the producers dollar for dollar: If the automakers are spending $70 billion to retool, the suppliers must spend the same. Why not wait to see how it all comes out and then retool? "I hope people who do that are all my competitors," laughs ITT's Carpenter. "It's a dangerous attitude to take."

In fact, for many companies the wisest course probably will be to try to dominate a niche in auto supplies, while diversifying a good chunk of the business into other fields. Take Motorola, for example, with less than 10% of sales now to the auto industry—microprocessors for ignitions, alternator charging systems, and sensors—and with the rest of its sales to the communications and semiconductor markets.

The world car—built of components manufactured all over the globe—is close to reality. To help build it, a brand-new breed of auto suppliers is emerging. The old breed's days are numbered. ■

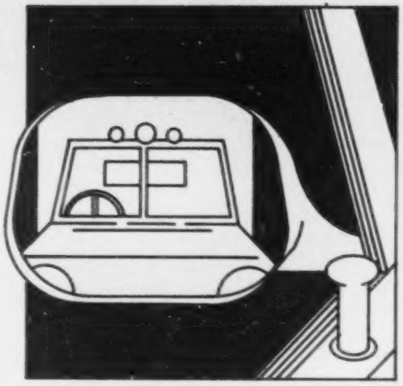
Auto suppliers

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Tire & rubber												
Genl Tire & Rubber	10.8%	1	12.9%	0.2	9.8%	1	8.3%	5.1%	7.3%	4	4.5%	2
Goodyear	9.6	2	9.2	0.5	7.5	2	7.5	2.4	9.6	2	4.1	3
B F Goodrich	8.0	3	7.5	0.5	6.3	3	6.7	2.4	9.3	3	9.3	1
Armstrong Rubber	5.8	4	14.3	0.8	10.6	4	5.2	3.0	9.7	1	–0.6	4
Firestone	0.4	5	7.0	0.4	6.3	5	1.8	2.1	6.8	5	–55.5	5
Uniroyal	def	6	8.0	1.0	6.1	6	1.3	1.7	3.2	6	P–D	6
Medians	**6.9**		**8.6**	**0.5**	**6.9**		**6.0**	**2.4**	**8.3**		**1.8**	
Parts makers												
Hoover Universal	25.5%	1	16.3%	0.4	11.7%	8	14.0%	4.4%	13.2%	10	13.6%	11
Lear Siegler	25.4	2	21.7	0.4	14.9	5	15.3	5.0	15.0	8	28.8	1
Snap-On Tools	25.2	3	19.5	0.2	16.9	1	21.4	8.5	18.2	2	19.6	6
Genuine Parts	21.1	4	21.0	0.0	20.2	2	20.5	4.8	16.1	5	15.5	9
Bendix	20.4	5	36.7	0.4	24.3	3	15.5	10.2	9.7	18	20.2	5
Federal-Mogul	19.2	6	17.1	0.6	10.2	6	14.5	4.5	12.8	12	20.4	4
Johnson Controls	18.8	7	14.7	0.3	11.6	3	15.5	4.3	24.9	1	23.0	2
Barnes Group	17.9	8	10.8	0.2	9.8	7	14.3	3.3	15.1	7	17.4	7
Dana	17.3	9	11.8	0.3	9.9	9	13.8	4.2	17.1	3	11.8	14
Purolator	15.9	10	25.8	0.5	17.5	12	12.1	4.0	11.9	13	4.6	17
Echlin Manufacturing	15.7	11	7.8	0.4	7.8	11	12.2	3.1	15.8	6	8.4	16
Eaton	14.9	12	8.1	0.5	7.0	15	10.1	2.5	13.1	11	8.6	15
Arvin Industries	14.9	13	10.6	0.5	7.9	16	9.7	3.3	10.2	16	12.8	13
Easco	13.9	14	16.9	0.6	11.0	17	9.6	2.8	13.3	9	3.1	18
Cummins Engine	13.9	15	20.5	0.5	13.4	14	10.1	4.9	16.4	4	15.9	8
Borg-Warner	13.8	16	13.4	0.1	12.4	10	12.6	5.7	9.1	20	14.7	10
Allen Group	13.3	17	11.4	0.6	8.4	18	9.4	2.5	9.2	19	13.5	12
Champion Spark Plug	12.6	18	6.5	0.1	6.5	13	11.8	3.2	10.9	14	–0.5	19
Libbey-Owens-Ford	10.1	19	1.8	0.4	3.0	19	9.0	1.0	10.3	15	–1.1	20
A O Smith	9.2	20	6.5	0.3	5.4	20	7.3	1.8	7.1	21	20.8	3
Sheller-Globe	7.6	21	17.5	0.8	9.8	21	5.9	3.7	10.0	17	–10.8	21
Questor	1.3	22	1.1	0.5	2.6	22	2.5	0.4	3.7	22	–22.0	22
Medians	**15.3**		**14.1**	**0.4**	**10.1**		**12.2**	**3.9**	**13.0**		**13.6**	
Industry medians	**13.9**		**12.4**	**0.4**	**9.8**		**10.1**	**3.3**	**10.6**		**10.6**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
P-D: profit to deficit. def: deficit.

Is Roger Smith whistling past the graveyard? Or is unflagging optimism simply part of every General Motors chairman's job?



Autos and trucks

By Maurice Barnfather

THE U.S. AUTO INDUSTRY has collectively lost $5.5 billion over the last two years, and it may lose another $1.4 billion this year. Sales barely staggered past 6.3 million vehicles last year, compared with 1978's peak of 11.3 million, and the automakers are now girding for a wages and benefits battle with the UAW in which the union seems anything but tractable.

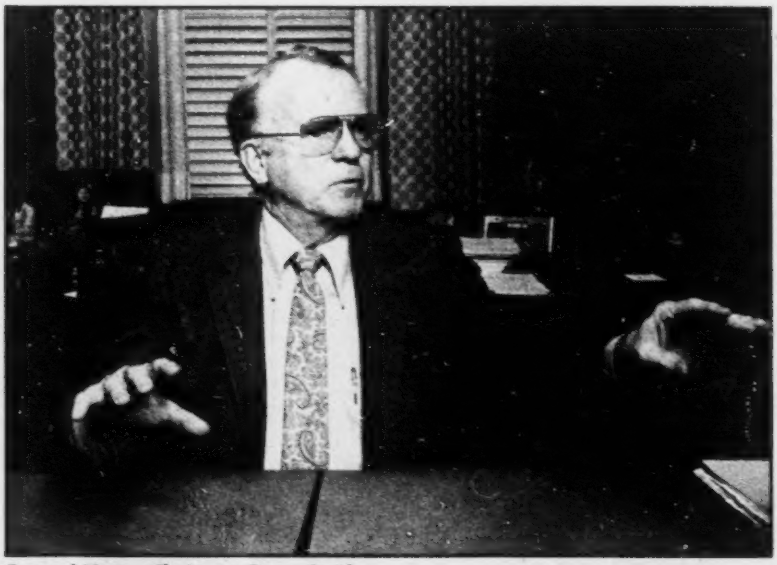
Yet optimism seems to come with the territory in the chairman's job at General Motors, where the incumbent, Roger Smith, is already talking about the return of the midsize car and the future "competitive disadvantage" the Japanese will face in the U.S. market.

Is Smith whistling past the graveyard? FORBES sat down for a chat with him to find out. We began by asking when he thought auto sales would turn up.

Smith: We expect a 50% increase by 1985 from our current depressed levels. By 1990 it should be 50 million cars and trucks worldwide, about 19 million of them in the U.S.

Doesn't a forecast like that depend on whether the "pent-up demand" the auto industry talks about is really out there?

Smith: I talk to dealers and they tell me they're getting some cars in that couldn't go another 1,000 miles, cars that were held together with baling wire and Scotch tape. I don't think our car buyers have left us. They are laying back and waiting it out. We're still a growth industry. Of that I feel very confident.



General Motors Chairman Roger Smith

"It doesn't mean there aren't going to be any more big cars."

Why do U.S. manufacturers continue to build so many big cars when the market seems to indicate that U.S. buyers want small cars?

Smith: There definitely has been a shift to smaller cars, there's no question about that. Part of it is permanent. But it does not mean there aren't going to be any more big cars. About 25% of the families in America have five or more people. Consider how many of them are hauling trailers, boats, snowmobiles, motorcycles. There's still a big market for big cars. The point is not big versus small; the point is fuel efficiency. You don't have to buy a little car to get fuel efficiency. Our plan is not to force everybody down to a little car but to give fuel economy across the board.

Do you see the tide turning against small cars and back to big cars someday?

Smith: I don't think you are going to see swings back and forth. What happened was that people who were going to get small cars anyway got rushed into buying them. The guy who wanted a middle-size or larger car didn't run in. He's the one who will swing back, because he stayed out of the market. I think he's still out there, waiting for the car he wants at the fuel economy he wants and at the price he can afford. That's why I say you are going to get a lot of people into a new market.

What's holding these people back now?

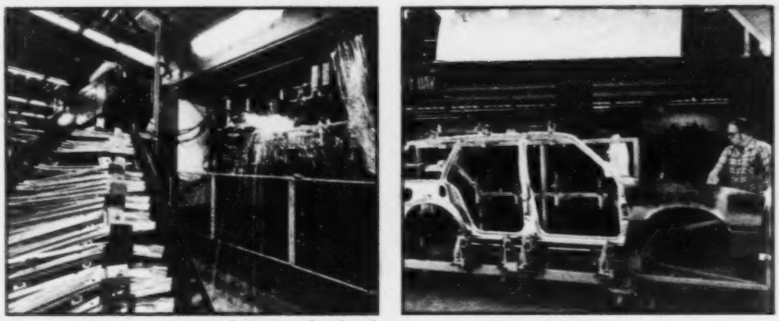
Smith: I think it's sticker-price shock, combined with the buyer's economic expectations. When the economy is moving up, a fellow says, "I don't mind buying a car on time because I know I'm going to have a job." But when he says, "I might get laid off" or "I don't know if I'm going to make as much money next year," that's when he slows down on buying. Also, we've got on our cars right now about $1,125 worth of government-mandated equipment, and our consumers don't see the value to most of that.

Are you concerned about Japanese competition in the midsize car market?
Smith: I don't think it's that cut-and-dried. We're concerned about all our competition. But if I were a Japanese producer and I got a look at General Motors' new midsize cars, I think I'd try to shift all my midsize cars to Africa. I think they're going to be at an extreme competitive disadvantage.

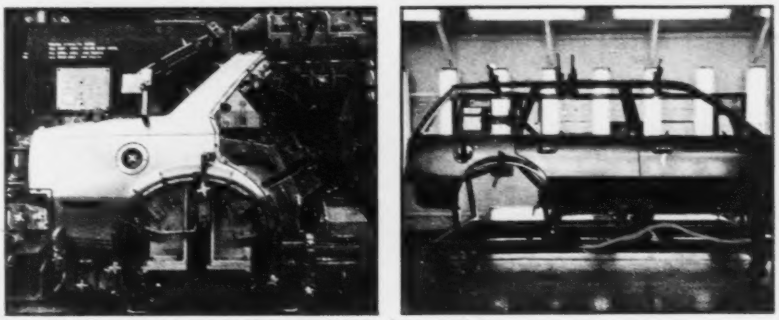
Where does GM stand with robotics?
Smith: I think we're more advanced than people may think. There's a problem of definition when you talk about robots. I can take you to one of our automated body shops where all the parts on the side of a car are put down flat on a machine that is maybe four times the size of this room. It puts them in the exact position and makes something like 100 welds—bang, right like that—instead of starting a body and adding a piece on here and a piece on there with robots.

There are smart robots and there are dumb robots. I've seen robots in Japanese plants, the kind that sneak out and make a big pinch-weld, and I've stood there and watched when, for some reason, there wasn't a car [on the line], and the old robot went out

Robot "equivalency"



Automation in a General Motors body plant
Entire side of auto body is welded by computer system.



Completed side goes to quality control and inspection
"There are smart robots and dumb robots."

Autos and trucks

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Subaru of America	65.8%	**1**	57.9%	0.3	46.4%	**1**	62.9%	2.7%	45.6%	**1**	78.5%	**1**
PACCAR	23.2	**2**	14.7	0.0	13.9	**2**	21.6	4.6	15.8	**4**	21.5	**3**
Caterpillar Tractor	20.1	**3**	17.9	0.3	14.8	**4**	15.3	6.9	14.0	**6**	12.7	**5**
Hyster	20.0	**4**	9.8	0.2	8.7	**3**	16.4	5.1	13.0	**7**	24.3	**2**
Signal Companies	15.9	**5**	13.4	0.4	11.4	**6**	11.7	4.0	17.4	**2**	20.3	**4**
Deere	15.0	**6**	10.8	0.3	8.8	**5**	11.9	4.4	14.3	**5**	7.7	**7**
Fruehauf	13.4	**7**	6.7	0.6	5.2	**9**	8.6	1.6	15.8	**3**	9.8	**6**
Clark Equipment	13.4	**8**	7.9	0.2	6.8	**8**	10.5	3.5	4.2	**13**	6.7	**8**
General Motors	12.1	**9**	1.7	0.1	1.9	**7**	11.1	0.5	11.1	**8**	–0.8	**9**
Ford Motor	5.5	**10**	def	0.2	def	**10**	5.1	def	10.9	**9**	–10.4	**10**
Intl Harvester	4.1	**11**	def	0.7	0.1	**11**	4.2	def	8.4	**11**	–12.8	**11**
American Motors	def	**12**	def	0.3	def	**12**	def	def	6.1	**12**	P–D	**12**
Chrysler	def	**13**	def	5.0	def	**14**	def	def	0.9	**14**	P–D	**12**
Massey-Ferguson	def	**14**	def	1.7	def	**13**	def	def	8.4	**10**	P–D	**12**
Industry medians	**13.4**		**7.3**	**0.3**	**6.0**		**10.8**	**2.2**	**12.1**		**7.2**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
P-D: profit to deficit. def: deficit.

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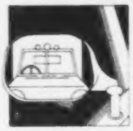


and welded anyway. On the other hand, robots are much better for jobs like painting or quality control. We probably use many more robots for checking gauging and tolerances than we do for manufacturing.

How far will interest rates have to come down before the auto market is revived?
Smith: I'd be happy to see 12% or 13% for a while. I think we have a good chance of getting there.

Are you rethinking your $40 billion capital investment program?
Smith: If you are asking whether we have made any major changes in our investment plans, the answer is no. We've never had a $40 billion program per se; we had a program that was going to cost $40 billion. There's a big difference. I'd say, if anything, we're probably going to spend more than that in order to get done what we want to do. People have to quit getting frantic every time we decide we're going to make a left turn or right turn.

For example, we knew the analysts were way off on our third-quarter results. But you don't call a press conference to say, "Hey, you guys are off." The SEC has rules about what you do and don't say to people. What they did not realize is that we had nearly twice the "down" weeks because we were changing over the big-car lines, and we had three plants start up, all brand-new, on a brand-new product.

Now people say, "Are you going to slow down on your product program or your plant spending?" I put it to you the other way: With housing construction in this country at an alltime low, in fact, this is a wonderful time to build a factory.

How much are you spending, then, in capital improvements?
Smith: We haven't really priced it out. How the $40 billion got in there was that people added up what our spending was going to be from 1980 to 1984. You could have gone 1980 to 1985 and got a different number.

Will you have to raise new capital in the U.S. in 1982?
Smith: I don't know. That depends on how much our earnings are. Our plan is to finance what we can through depreciation and the cash generated by the business. If the economy turns up and if there is an opening in the market that looks attractive, we'd probably get some [financing] just to increase our safety margin.

How do you see joint ventures with the Japanese?
Smith: Suzuki is the world's largest manufacturer of minicars, a company with outstanding quality and reliability. We can help them on emissions and safety, and they can help us by supplying a product that we can sell all over the world. Why should we put tremendous investments in on that end of the market when we can make a good arrangement with Suzuki right now? It would be very difficult for us in this country to produce a car that Suzuki can at the same cost it can.

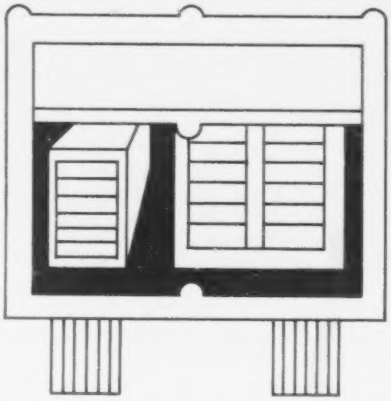
Is the J car a disaster?
Smith: The people I judge the J car on are the dealers, and they say we have a winner and should hold on and hang tough. I can give you an argument that the worst thing that's happening to us is bringing out all these beautiful, brand-new products in a dumb market that's way down.

Why won't your new S car be launched here until 1985 or 1986?
Smith: I don't know where you get the 1985-86. Don't believe everything you read in the newspapers. I'm not going to tell you when we're going to have an S car, because our competition would love to know.

Does GM have plans to diversify?
Smith: I don't think you'll see us becoming a widespread conglomerate. I think we'll grow where our talents take us. Right now General Motors is the world's largest manufacturer of controlled computers. I'd say down the road we might be a surprising factor in robots, simply because I think we have more technology in robots right now than most of the people that are making them.

Do you think government energy policy was at the bottom of the U.S. auto industry's troubles?
Smith: Before Iran and the big oil crunches came, we had difficulty selling *small* cars. Had a more reasonable energy policy been followed in pricing, we could have made this transition over a period of time without the trauma and shock we're all going through right now. But I've got to say that, in some respects, maybe it all hasn't been so bad for us. It certainly got us turned around faster than we would have ordinarily. ■

Is the new chairman of the ICC trying to slow down deregulation of the trucking industry by crossing every "t" and dotting every "i"? It certainly looks that way.



Truckers and shippers

By Beth Brophy

BUM RAPS, BUM RAPS!" Reese Taylor Jr. is ordinarily a congenial sort, but the new chairman of the Interstate Commerce Commission was more than a little nettled by the question: Is he slamming the brakes on trucking deregulation? After all, his appointment has been widely regarded as President Reagan's political payoff to the Teamsters, with whom deregulation is about as popular as the FBI.

"I have no Teamster connection," Taylor insists vehemently. "Most of my labor relations practice was spent representing management and fighting the Teamsters. My biggest problem is the misconception of the Motor Carrier Act of 1980. Anything I do is perceived as a step backwards."

Misconception? "It's a misnomer to call the act the 'deregulation' law," says Taylor. "Congress didn't intend total deregulation." What sets him apart from his predecessor, Darius Gaskins, a committed deregulator, is a "stricter interpretation" of the 1980 law, Taylor says. The commission was too liberal, he contends, in granting operating licenses, sometimes giving truckers more operating authority than they sought or could handle. Of course, that "stricter interpretation" sounds ominously like even more regulation.

Taylor also says he will look for "predatory" pricing, another major shift from the laissez-faire attitude

Truckers and shippers

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Truckers												
RLC	28.3%	1	13.6%	1.3	8.7%	4	10.8%	4.0%	11.5%	9	52.9%	1
Consol Freightways	24.7	2	36.3	0.3	27.1	2	19.5	9.5	14.8	5	22.6	3
Leaseway Transportation	22.7	3	18.9	1.1	10.1	5	10.6	4.5	13.4	7	14.2	5
Ryder System	22.5	4	19.3	1.5	8.6	6	9.8	3.7	20.6	2	36.8	2
Roadway Express	22.2	5	23.2	0.0	22.0	1	21.0	6.6	16.3	3	14.3	4
Yellow Freight System	15.4	6	9.8	0.2	6.8	3	11.2	2.1	15.6	4	3.3	7
Allied Van Lines	10.5	7	19.0	0.4	12.7	7	7.9	0.6	12.3	8	8.0	6
McLean Trucking	8.0	8	def	0.5	1.6	8	7.2	def	14.6	6	–8.7	8
Telecom	2.4	9	def	2.5	def	9	5.1	def	31.9	1	–19.7	9
Medians	22.2		18.9	0.5	8.7		10.6	3.7	14.8		14.2	
Other surface transportation												
Natomas	25.3%	1	23.8%	0.5	17.0%	1	17.3%	15.9%	35.5%	1	24.3%	1
Transway Intl	16.9	2	13.3	0.2	11.7	2	13.7	3.3	8.2	3	8.8	3
Moore McCormack Res	15.5	3	14.5	0.9	8.1	5	9.1	6.7	19.3	2	13.9	2
Greyhound	13.9	4	16.2	0.5	11.7	3	10.1	2.9	5.4	5	6.8	4
Alexander & Baldwin	13.7	5	10.8	0.5	7.6	4	9.9	9.3	7.8	4	6.3	5
Seatrain Lines	def†	6	NE	NE	**	6	2.3†	**	**		**	
Medians	14.7		13.9	0.5	11.7		10.0	6.7	8.2		8.8	
Industry medians	15.5		14.5	0.5	9.4		10.1	3.9	14.7		11.4	
All-industry medians	15.5		14.7	0.4	10.9		11.1	4.5	14.0		12.5	

Note: Explanation of Yardsticks calculations on page 51.
†Four-year average. def: deficit. **Not available; not ranked. NE: negative equity.

that formerly prevailed at the ICC. "We're the referees on the football field," he says. "We can't lie down if we see blatant abuses." ICC examiners have turned up cases of discounts offered only to big shippers, he says. "The Act wasn't passed to benefit only a Sears, Roebuck or a General Electric," he says. "The quickest way to get re-regulation is to set up the ball game so only the big guys make it. Then in three to five years someone will come charging in on a white horse and say we have to re-regulate. I'd like to avoid that."

In fact, says Taylor, all tariffs will come under increased scrutiny. "Just because something is filed as a tariff doesn't mean it's not an illegal rebate. Not to check it is as ridiculous as the IRS' deciding not to audit any tax returns," says Taylor.

But can't the free market take care of excessive rates? Can't shippers take their business elsewhere? "Once a rate has been filed with the ICC," says Taylor solemnly, "it's like the Good Housekeeping Seal of Approval. The rate does not get challenged."

Cracking down on the thousands of uninsured truckers is another of his enforcement priorities. Taylor cites several unauthorized routes operating between Las Vegas and Los Angeles. "We're going to pick out representative routes and make an example of them." He's worried, too, that "double-layer" insurance requirements for hauling hazardous wastes are largely ignored.

To be sure, Taylor says he would like to see the ICC gain more credibility with the independent owner-operators who assume that the ICC is on the side of the big wheels in trucking—the big American Trucking Association and Teamster-staffed firms. He also wants to eliminate outdated and unnecessary rules—simplifying ratemaking, motor carrier mergers, loss and damage claims and the leasing of motor vehicles.

In Taylor's view, the big problem facing the trucking industry this year is the economic downturn, not regulatory matters. "Some truckers have told me their traffic is down to 75% of 1979 levels," he says. Industry tonnage for 1980 plummeted to its lowest level since 1967. Almost one-third of the 100 largest carriers suffered losses in 1980. Freight tonnage plummeted 16% for the 20 biggest trucking companies, and revenues were up only 2%. The American Trucking Association says that of a group of 338 companies with revenues of more than $1 million it has been tracking since 1974, bankruptcies and mergers have left only 220 intact. As truckers struggle to compete openly since the 1980 law, they are chasing fewer truckloads of goods.

New ICC Chairman Reese Taylor Jr.
Deregulation is a misnomer.

Of course, good times and bad are the breaks of the game. The question is, how committed to the free market is Taylor, a former law partner of Senator Paul Laxalt (R–Nev.), one of Reagan's closest advisers. Phrases such as "stricter interpretation" and "predatory pricing" sound suspiciously like code words for dampening free competition. In fact, says a Senate Commerce Committee staffer, "We've heard several complaints from truckers in Nevada and Nebraska whose operating authorities have been pulled back or who have been denied broader routes." Also, although Taylor has thrown independent truckers a bone in the form of the fuel surcharge pass-through, the commission is still dragging its feet on a proposed ruling to allow owner-operators to lease their equipment—with drivers—directly to shippers, cutting out the licensed carriers and their fat commissions entirely (FORBES, *Apr. 13, 1981*).

No ICC chairman, probably, could stop deregulation in its tracks. It's an idea whose time clearly has come. Also, there are still four vacancies on the seven-person commission. The still-unconfirmed Republican nominees are former ICC staffer Malcolm Sterrett and Indiana businessman Frederic Andre; Democratic names currently being floated are Joseph Simmons III, an Amerada Hess vice president, and Thomas Domencich, a transportation economist. Andre is an avid deregulator, and some of the others may not share Taylor's penchant for crossing every "t."

But Taylor obviously could slow the unshackling of the trucking industry. On the record so far, it looks as if he intends to try. ■

Freedom's child

In 1972 the company I used to work for applied for an operating authority to run from Atlanta to Montgomery, Ala., 160 miles away," says trucker Larry White, 38. "The company spent $150,000 on the application and waited eight years for ICC permission. That's the way it was then."

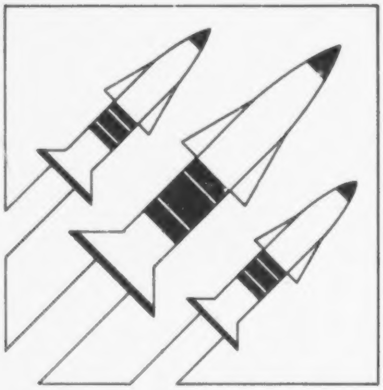
That's not the way it is now. White is president and co-owner of Whatley-White, Inc., a company he started in Dothan, Ala. in 1979 with 12 employees and six trucks on $400,000 in borrowed funds. There was an open window then; Congress was working on the deregulation bill, and enforcement of existing rules was falling apart. "There was about as much deregulation then as now," he says.

White started by running scrap metal around the South. The first year he took in $800,000 and the company has grown like a kudzu. White has 65 employees, 45 trucks, $5 million in annual revenues and expects to add 10 to 12 trucks and $2 million in revenues in 1982. With the 1980 trucking deregulation act, there are few barriers to White's ambitions. "I've applied for new operating authorities and had them in 120 days."

Headquartered in southeast Alabama, 14 miles equidistant from Florida and Georgia, White carries a variety of cargo including tobacco, children's toys, playground apparatus and steel prefabricated doors."

Will deregulation cause ruinous price wars that will drive out small truckers like White? He thinks not. But competition has increased. "We're good managers, but it's harder to stay in business." Still, in today's economy his 5% net profits are not bad: "The better carriers are faring better than they thought."—B.B.

America's top exporter and Europe's fast-rising Airbus Industrie are locked in a titanic battle—with distinctly nationalistic overtones.



Aerospace and defense

By John Merwin

COME NEXT YEAR, manufacturers of commercial jet aircraft aren't likely to be thumbing through 1982 order books fat with sales invoices. With many air carriers financially strapped, pacesetter Boeing is still investing heavily in its two new-generation jets, the 757 and 767, while production on its three profitable older planes is tailing off. Lockheed just threw in the towel on its TriStar, taking a $400 million writeoff. At McDonnell Douglas, the jumbo jet's future seems cloudy, even with Lockheed dropping out to leave only Boeing and MD.

MD's total DC-10 backlog is 16, and Chairman Sanford McDonnell has already warned the Defense Department that if Congress cuts back orders of the military version of its DC-10 jumbo jet, the KC-10, his operations might not be able to survive.

So don't look for any precedent-shattering news on the sales side—or on the profits side. Do look for history to be made, however, in an arena far more important than year-to-year sales fluctuations. While 20 years ago there were seven or eight major players in commercial jet manufacturing, 1982 may well be the year in which the winnowing finally stops at two. Nobody is going to knock Boeing out of the box, with its 60%-plus share of the world market. The other player? Fast rising is Airbus Industrie, the European, government-backed consortium aiming for 30% of world sales. Last year Airbus says it won just over half of all new big-airliner orders.

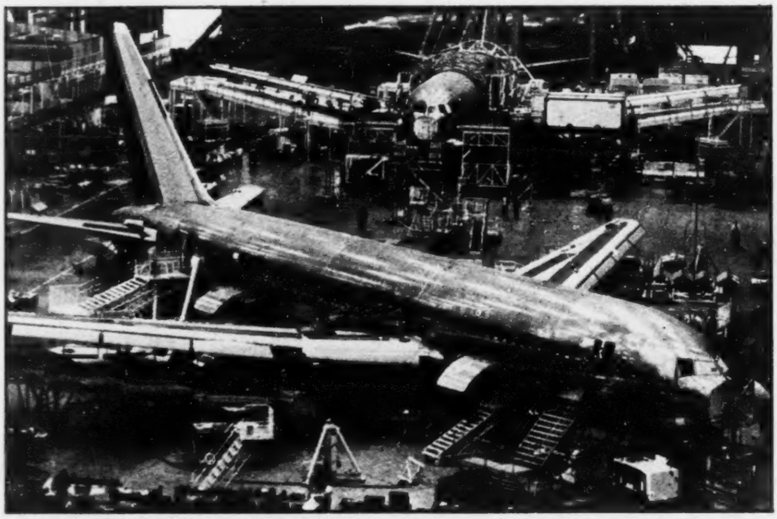
The outcome: a titanic struggle between Boeing and Airbus with intense nationalistic overtones—the U.S. versus Europe. The pattern is already clear. Airbus has sold planes to only one U.S. carrier, Eastern, and then only after "lending" the financially strapped airline four new aircraft for six months, gratis. Meanwhile Europe's big carriers—Air France, British Airways and Lufthansa—aren't lining up to buy Boeing's new aircraft because those airlines, of course, are controlled by the three big partners in Airbus, the governments of France, Britain and West Germany.

The fact is, Airbus puts out two fine aircraft, the 300 and 310. But the battle may not be decided on that basis at all. The issue is government subsidy of sales, increasingly a way of life the world over—except in the U.S. Recently the U.S. signed an agreement with France, Britain and West Germany to boost subsidized loans to 12%, but that agreement expires in September. What happens then is anyone's guess.

So Boeing is crying foul. And when Boeing howls, it gets attention. Next to agriculture, aircraft sales are the biggest U.S. export, and for years Boeing has been probably the largest single U.S. corporate exporter.

Boeing Chairman T.A. Wilson figures that during the next decade about $120 *billion* in orders will be up for grabs. And this year will be crucial: If Boeing can establish its 757s and 767s as it did the 707, 727, 737 and 747, that will carry it through the next decade or two. "Loss of the first order has long-range ramifications," says Wilson. "Airlines generally standardize on their initial choices, so winning the initial sale provides entry to follow-on business; losing it means the entire market for spares and follow-on equipment is eliminated for 15 or 20 years." For every dollar in an original sale, he says, three more follow in years to come.

The target of Boeing's howlings has



Boeing assembly plant in the Seattle area

An edge in financing, not technology, may be the key to selling.

been the U.S. Export-Import Bank, the U.S. answer—theoretically anyway—to the deep pockets of Airbus' owners. Ex-Im doesn't lend taxpayer money, but rather borrows through the Treasury and later repays the loans, plus interest. In 1980, 60% of Boeing's exports were partially financed by the Ex-Im Bank, a commitment amounting to 27% of the bank's total lending that year. But now, the Reagan Administration is trying to whack back Ex-Im's lending authority by $1.6 billion, from last year's $5.5 billion, in an effort to trim government loan programs. Grouses a Boeing marketing executive: "The U.S. is shooting itself in the foot."

While Boeing has been howling in the halls of Congress, Airbus, even without a significant toehold in the U.S., has just closed a fine year, capturing about 54% of 1981 world widebody sales. With Lockheed folding its commercial tent, and if McDonnell Douglas falls back to producing only its updated DC-9, Airbus has an opening for even more business. Being government-owned, however, Airbus can't afford to risk a politically unpalatable boom-and-bust employment cycle. So Airbus would expand cautiously. But if that larger market share were established, Airbus likely would do anything to hang on to it, including subsidizing sales to the hilt.

What does Airbus think of Boeing's consternation over subsidized loans? "Our policy has been not to answer the accusations, and just keep on doing our thing quietly," says Pierre Pailleret, senior vice president of marketing and formerly financial vice president. "I have a list in front of me," he says from his Toulouse, France office, "of airlines to whom Ex-Im has granted credits or made commitments of funds while there absolutely was no competition from Airbus. I'm not questioning Ex-Im's practice, but I'm pointing out that we're not the bad boys some are saying we are. We're very confident that we haven't gained our 54% market share in 1981 with financial gadgets."

What about Airbus' near-total lack of penetration of the U.S. market so far? "If we weren't convinced it will change in the long run, we wouldn't keep an office in New York and keep talking to U.S. airlines," says Pailleret.

Airbus needs to sell about 650 to 700 of its two current models to break even. At present, it has sales, orders and options for about 500, so it has plenty of incentive to keep trying. Pailleret claims Airbus can break even by 1985—if that is important; outsiders question whether Airbus will ever be required to break even.

What's the solution? Boeing points out that subsidizing commercial-aircraft loans is really a zero-sum game, with neither side gaining an advantage. So why not forget the subsidized loans and let the private market finance aircraft?

The answer: Not only does Airbus fear that higher free-market rates might curtail orders, thus throwing thousands of Europeans out of work; it also knows that there's only one private market capable of long-term (15 to 20 years) aircraft financing—and that's the U.S. At present there are numerous restrictions on a U.S. financial institution's foreign investments, and with a shift in political winds, there could be more one day. You can bet that if anybody knows how chilly shifting political winds can blow, it is the patrons of Airbus—France, Britain and West Germany. Reaganomics isn't likely to make a hit in Europe. ■

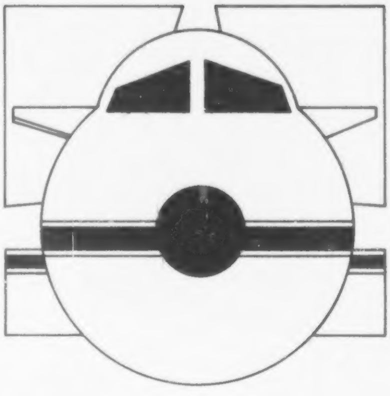
Aerospace and defense

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Computer Sciences	33.3%	**1**	18.0%	0.6	12.8%	5	17.4%	3.0%	20.6%	**4**	43.9%	**3**
Todd Shipyards	30.3	**2**	27.0	0.8	17.8	9	14.7	3.9	18.9	**5**	D–P	
Fairchild Industries	28.8	**3**	21.9	0.3	13.9	3	20.5	6.0	26.1	**1**	54.9	**1**
Boeing	26.6	**4**	23.4	0.0	19.4	1	22.8	5.4	16.8	**7**	45.1	**2**
Raytheon	24.2	**5**	23.9	0.1	22.8	2	22.4	5.8	15.9	**9**	24.3	**7**
Northrop	22.9	**6**	9.6	0.0	8.9	**4**	19.8	2.5	14.4	**12**	25.7	**6**
Sundstrand	22.1	**7**	23.0	0.4	15.8	**11**	14.4	9.0	13.1	**16**	22.3	**8**
Wyman-Gordon	20.5	**8**	28.3	0.2	22.8	**8**	16.4	8.4	17.8	**6**	18.8	**9**
Lockheed	19.9	**9**	17.7	2.1	10.2	**19**	9.7	1.3	8.1	**19**	7.3	**19**
Gates Learjet	19.8	**10**	19.7	0.4	15.8	**7**	16.9	3.8	23.9	**2**	9.8	**17**
E-Systems	18.6	**11**	14.5	0.1	14.7	**6**	17.3	3.9	13.6	**14**	16.5	**11**
Martin Marietta	18.5	**12**	18.6	0.1	13.0	**12**	13.8	6.5	14.2	**13**	18.4	**10**
Rohr Industries	18.2	**13**	12.6	0.9	9.6	**21**	8.2	2.0	2.1	**21**	D–P	
United Technologies	18.0	**14**	16.9	0.3	12.4	**13**	13.3	3.3	23.0	**3**	14.2	**13**
Thiokoi	17.8	**15**	14.8	0.0	11.7	**14**	13.1	4.9	13.1	**15**	15.2	**12**
Cessna Aircraft	17.4	**16**	20.5	0.1	17.9	**10**	14.5	5.7	16.7	**8**	12.9	**15**
Rockwell Intl	16.8	**17**	17.1	0.2	13.7	**16**	12.5	4.2	9.5	**18**	12.2	**16**
Pneumo	15.4	**18**	19.4	1.2	10.8	**18**	11.0	1.6	15.7	**10**	26.2	**5**
General Dynamics	14.6	**19**	14.4	0.0	10.1	**17**	11.3	2.8	15.2	**11**	13.6	**14**
McDonnell Douglas	12.9	**20**	11.9	0.1	11.8	**15**	12.6	2.8	10.6	**17**	8.2	**18**
Grumman	10.8	**21**	7.8	0.5	6.0	**20**	8.4	1.5	7.3	**20**	30.5	**4**
Industry medians	**18.6**		**18.0**	**0.2**	**13.0**		**14.4**	**3.9**	**15.2**		**18.4**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
D-P: deficit to profit; not ranked.

Forecast: Heavy turbulence, sharp downdrafts, pea-soup fog—and a patch of blue.



Airlines

By Allan Dodds Frank

BIG AIRLINES are limping into 1982 after one of the worst years in their history: Half of the major 12 carriers lost substantial amounts, with Pan Am alone losing more than $225 million through the third quarter. Overall, only American, Delta, Northwest and USAir showed much profit at all, and as a whole the industry lost millions.

More turbulence is ahead: Deregulation has unshackled low-cost regional airlines to attack markets of the high-cost majors. No one knows whether, or how much, the recession will cut into traffic. Fare-cutting wars—good for consumers, a hemorrhage for the airlines—continued right through the end of the year. The air controllers' strike has hurt, too. In fact, the long-term viability of at least one of the top ten—Braniff—is in doubt.

All this looks so gloomy that it's best to keep in mind what really is going on. The free market is at work, and out of the travails should come a stronger industry. Some analysts think the upturn will come this year.

In 1981 perhaps three-quarters of the more than 250 million passengers carried by the nation's airlines flew at prices below the posted regular fare. Rate-cutting continued through the fall, and late in the year Pan Am, Eastern and Braniff all slashed prices on such hot competitive routes as New York-Miami and Dallas-Ft. Worth-Chicago. Braniff, under its new president, former Southwest President Howard Putnam, reduced coach fares as much as 53%. Both American (which blankets more than half of Braniff's flights from their common home base of Dallas-Ft.

Airlines

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Federal Express	39.0%††	1	28.2%	0.5	18.2%	2	25.2%††	10.4%	56.9%‡	1	74.3%‡‡	2
Emery Air Freight	35.2	2	30.9	0.1	28.7	1	33.5	4.0	17.8	6	12.2	9
U S Air	26.2	3	22.6	0.9	12.6	4	12.2	5.2	16.8	8	68.5	3
Piedmont Aviation	25.3	4	27.5	1.7	11.9	5	10.2	4.8	20.7	5	20.0	6
Frontier Airlines	24.3	5	26.0	0.8	15.3	3	15.6	6.2	20.7	4	21.5	5
Pan Am World Airways	19.3	6	32.4	1.9	14.0	7	9.0	6.5	14.2	12	D–P	
Delta Air Lines	16.2	7	13.0	0.1	8.0	6	9.1	3.6	16.5	9	12.7	8
Tiger International	12.2	8	5.3	2.7	3.9	9	5.9	1.4	25.5	3	6.8	10
UAL	9.0	9	2.6	0.9	2.8	13	4.6	0.6	12.9	17	15.0	7
Trans World	8.0	10	6.4	2.0	5.3	10	5.0	1.2	13.9	14	161.8	1
Northwest Airlines	6.9	11	2.3	0.1	2.1	11	4.9	1.1	13.6	16	2.0	11
Western Air Lines	6.2	12	def	2.1	def	12	4.8	def	13.6	15	–15.3	12
American Airlines	4.0	13	def	1.5	0.7	15	3.9	def	14.6	10	47.7	4
Eastern Air Lines	4.0	13	def	2.8	0.4	14	4.2	def	14.4	11	D–P	
Republic Airlines	2.6	15	def	5.6	def	8	6.3	def	35.8	2	–31.6	13
Continental Airlines	def	16	def	1.9	def	16	2.1	def	14.0	13	P–D	14
Braniff Intl	def	17	def	6.8	def	17	def	def	17.3	7	P–D	14
Industry medians	**9.0**		**5.3**	**1.7**	**3.9**		**5.9**	**1.2**	**16.5**		**12.7**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
††Three-year average. ‡Four-year growth. ‡‡Three-year growth. P-D: profit to deficit. D-P: deficit to profit; not ranked.
def: deficit.

Worth) and Delta matched the Braniff cuts. "We can't imagine how anybody can make money at these fares," says an American spokesman, "but we have matched them fare for fare, flight for flight. We could lose a lot by matching Braniff, or not match it and lose a lot more."

How will the Braniff-American-Delta donnybrook shake down? "A bloodbath in the making" is how Michael Derchin, airline analyst at Oppenheimer & Co., puts it. Predicts Eli Timoner, chairman of Air Florida Systems, Inc.: "American and Delta are going to kill Braniff."

It's a cruel restructuring. The benefits? Apart from the immediate benefits to air travelers, the severe price-cutting is forcing the big airlines to tough positions they should have taken years ago on the constantly rising wage demands that have pushed the average 747 pilot's wage to $125,000 a year (top pay exceeds $165,000). Now airlines are demanding—and getting—pay reductions, wage freezes, givebacks and more hours of actual work. They are getting results. The Air Line Pilots Association, for example, abandoned its decades-long defense of three-man crews in the cockpits of all larger planes. Now United's and Western's Boeing 737s are flown by two pilots. ALPA also agreed to abide by a White House conference's interpretation that two-man cockpit crews are sufficient for the new generations of Boeing 757s and 767s. And shortly after Braniff announced its new rates, American asked its employees to accept a wage cut of 5% for the first quarter of 1982 and a wage freeze that may last all year. American also laid off nearly 500 people, continuing a reduction in force begun in 1980 that has dropped the payroll from 41,000 to 35,000.

Result: Marc Klee, portfolio manager of National Aviation & Technology Corp., thinks traffic will increase by as much as 4% or 5% in 1982 after a flat first quarter. That's a little deceiving because the base is so low; 1981 and 1980 were bad years. But Klee, along with Robert Joedicke of Lehman Brothers and others, believes that greater efficiency and fewer, more fully loaded flights on larger planes could also bring about revenue increases of up to 8% or 9%. Earnings, Klee believes, should be $300 million to $400 million this year. And, says Klee, "I expect 1983 to be a spectacular year."

Of course, Klee specializes in aviation stocks. But even "moderate optimists" like David P. Campbell, senior vice president of Wheat First Securities in Richmond, Va. predict that as many as 7 of the 12 majors will be profitable. Which seven? American, Delta, Eastern, Northwest, Trans-World, United and USAir, says Campbell. Together, he figures, they could make more than $750 million in net profits, while the five others that he believes may lose money—Braniff, Continental, Pan Am, Republic and Western—should hold combined losses at $200 million or less. For the whole industry, Campbell expects

The power in the tower

Federal Aviation Administrator J. Lynn Helms holds up two large nasty-looking nails twisted together into the shape of a huge barb. "People—I'm not saying strikers—threw these over the fence so that our employees would drive over them with their tires," he says. "We have had shots fired at our employees' doors. They have been harassed, they have been verbally abused, cursed."

FAA Administrator J. Lynn Helms

"The stress went out on Aug. 3."

That nasty-looking barb is exhibit A as Helms talks about the air-controllers strike. He twirls it in his fingers as he vows that the fired controllers "will not return to the FAA as controllers or in any other capacity." If they are eventually rehired by the federal government in other jobs, fine, says the tough-talking former chairman of Piper Aircraft Corp., so long as they aren't working for him. "If we took these people back, we would have tremendous difficulties now. We would not dare bring them back."

Helms speaks with equal conviction about his prediction that the nation's air traffic control system will be completely rebuilt and back to normal within 18 months from now—even on Thursdays, the busiest flying day of the week.

Eventually, says Helms, the FAA will have 3,000 fewer controllers than the 17,400 it had when the controllers struck last August. Some trainees have been flunking, but one group, furloughed airline pilots, are expected to move up quickly. "They have a very high learning rate," says Helms.

The FAA chief also anticipates saving $176.4 million in fiscal 1982, or about $480,000 daily, mostly in reduced labor costs.

Where does the air traffic system rebuilding stand now? The FAA is proceeding cautiously by not allowing rapid expansion. Each month, says Helms, the FAA is raising its capacity and by February will begin allowing increases in traffic every month, from the current 80% of what the system handled before the strike to 91% early next fall. "The last part of it—from 91% to 100%—probably will take us another six to ten months," says Helms. "It depends on how many people we keep on the rolls who would normally retire."

As for the controllers now running the system, "they are having more fun than they've had in years," says the FAA chief. When he cautioned an FAA retiree in his 60s who had returned to work in the Nashville tower not to fall victim to stress, the man laughed, Helms recalls. "He said, 'Good Lord, there's no stress. You know that as well as I do. The stress went out on Aug. 3.' "—A.D.F.

American
American
AA
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American planes at LaGuardia wait for profitable 1982 takeoff
"If there is any growth at all, it is going to come to the bottom line."

profits to make for the third-best year since fuel costs began soaring in 1973.

Some new opportunity has also come from the turmoil. As the high-flying regionals expand into the major trunk lines' markets, small commuter airlines are picking up business on short-haul, low-density routes that are being abandoned as unprofitable for planes carrying 60 or more passengers. And more lines are starting.

As for the big lines, even Pan Am's new chairman, C. Edward Acker, talks about making money this year after last year's loss of more than $275 million. He may be too hopeful, but even a $60 million loss would impress analysts as a good effort. Acker is aiming to increase Pan Am's domestic market, in part by offering low-cost off-season flights to balance its summer transoceanic peak season.

It's an old story: When an industry goes through the wringer like this, the upside leverage on the other side can be impressive. If the airlines stay the course on labor costs and increased efficiencies, says Campbell, their break-even point—currently nearly 60% of seats filled—could even be lowered by 2% to 4%, and profits could rise dramatically. Campbell argues that break-even factors will remain the same but that loads will increase by 3% or more. "If there is any growth at all," says Campbell, "it is going to come to the bottom line." At long last, a patch of blue. ■

Loser of the year

The line is familiar, but these days it sounds wistful, almost plaintive. "When winter comes, the situation will get a lot worse," says Robert E. Poli, who, as president of the now-defunct Professional Air Traffic Controllers Organization, led 11,543 of PATCO's 14,500 members last summer into U.S. labor's greatest disaster since the Ludlow Massacre. "Logic has to prevail," says Poli. "People are already starting to say, 'Okay, you punished them long enough. Now let them go back to work.' "

Poli believes that organized labor and public sympathy will eventually get his members back to work.

The possibility that any of that will happen becomes less distinct with every passing day, but it's all Poli has to hang on to. Gone are his $60,000 salary, his union and much outside labor support.

Even President Reagan's efforts for détente with organized labor isn't likely to get the ex-controllers back in the towers. His decision to allow them to seek other federal jobs may ease pain, not bitterness.

patco
LOCAL 201
ON
STRIKE
patco
LOCAL 201
ON
STRIKE

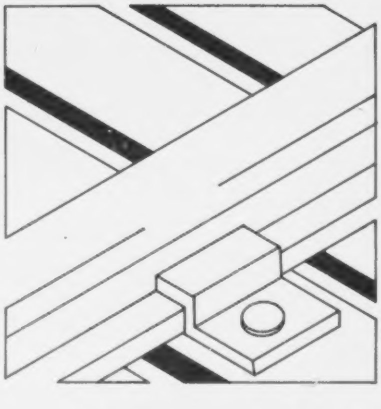
Air controllers grounded in labor's longest march of 1981
"Let them go back to work," the union president says.

But Poli still hopes. "The airlines have been furloughing people like mad and they're still losing money," he says. "They have to do something." Reagan was supported by the public, Poli says, because the President was perceived as slapping down "a smart-ass union" that was making excessive demands. He sighs, "They've got their pound of flesh. There aren't any excessive demands anymore."

The union also should have taken more trouble to explain its position to the press, Poli says: "I certainly underestimated the value of public relations." After reorganization in 1983, the Federal Aviation Administration expects to operate with 3,000 fewer controllers than in prestrike days.

But Poli still hopes his members' jobs will return. Hope is all he has.—A.D.F.

Once the sick man of American industry, the railroads are out of the hospital now. What they were suffering from was regulation-itis.



Railroads

By Allan Dodds Frank

RAILROAD STOCKS, for decades orphans, soared in 1980 when the group came close to doubling; last year they lost some of their gains but hung on to most of them in spite of a generally weak stock market. This is no fluke: An industry that once seemed chugging straight to the junkyards is making a powerful comeback. In fact, Isabel H. Benham, president of Printon, Kane Research Inc., predicts that nearly every trunk railroad will improve on earnings by 15% or better this year.

Railroad men are a little more cautious. "Short-term prospects are uncertain and will essentially follow the course of the general economy," says William H. Dempsey, president of the American Association of Railroads, but he adds, "if there is an upturn in mid-1982, our fortunes will be improved."

Despite softness in many segments of the economy, notably housing, automobiles and steel, the major lines will still have good years, thanks to coal shipments, both domestic and foreign. Piggyback shipments also should be up, thanks to longer lines available from the rail mergers.

How can the railroads, of all industries, prosper even if the economy slumps? The answer is threefold: increased efficiency through mergers, blossoming of benefits received under the 1980 rail deregulation act and labor peace and cooperation.

Deregulation enables railroads to sign long-term contracts with shippers and to innovate rates that formerly would have been tied up in Interstate Commerce Commission proceedings for months or years.

Too, an industry where labor-management confrontation was once the rule is beginning to learn what labor-management cooperation can do toward preserving jobs. One old rule required trains to stop every 500 miles to have the brakes checked on locomotives. The union agreed that the rule could go, and in return the railroads agreed that the "critical inspection that needed beefing up" was the one conducted before the train pulled out of the yard to start a journey. By giving a bit on the initial inspection, the railroads gained far more by eliminating the 500-mile inspections. This is only one example.

Given the ability under deregulation to negotiate long-term contracts, railroads now receive dependable commitments for freight and, in some

Railroads

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Chic & North Western	31.4%	1	39.0%	1.5	10.9%	6	7.9%	4.7%	12.1%	6	25.6%	1
Missouri Pacific	24.7	2	21.3	1.0	10.9	1	11.6	7.8	14.1	5	16.5	5
Southern Railway	14.2	3	15.6	0.6	8.8	4	8.0	11.5	11.1	7	14.9	6
Union Pacific	14.0	4	13.7	0.4	8.5	2	9.2	6.4	21.5	1	18.0	3
Norfolk & Western Ry	13.8	5	17.5	0.2	11.7	3	8.5	16.1	6.9	10	16.7	4
Santa Fe Industries	11.6	6	12.6	0.3	8.5	5	8.0	8.5	14.7	4	14.1	7
IC Industries	10.6	7	11.0	0.6	6.4	7	6.5	3.0	19.9	2	10.8	8
CSX	9.3†	8	11.3	0.6	7.4		**	6.2	11.0	8	8.1	9
Burlington Northern	8.4	9	10.5	0.5	6.9	8	5.9	5.4	17.1	3	18.2	2
Southern Pacific	7.4	10	7.8	0.6	5.2	9	5.2	5.2	9.7	9	7.7	10
Industry medians	**12.7**		**13.2**	**0.6**	**8.5**		**8.0**	**6.3**	**13.1**		**15.7**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
†Four-year average. **Not available; not ranked.

cases, they set financing for improving trackage that is used to service such commitments.

"One of the most important results of the Staggers Rail [deregulation] Act is going to be the psychology of the industry," says Dempsey. "Before, a bright young fellow in the marketing department would come in with a good idea and he would just get shot down by the lawyers quite rightly, because they would say, 'That's much too radical, the commission will certainly suspend it. Go back and come in with something that's more likely to succeed.' "

The best and the brightest young business people will be easy to find, Dempsey says. He also says that the railroads lost more money while rate increases were pending before the old Interstate Commerce Commission than they made from the increases themselves. As costs rose with inflation, rate increases lagged, and the railroads were always a couple of steps behind their rising costs. With their new freedom to set rates without begging the Commission, railroads get their hands on the money—as much as a billion dollars or more annually—a lot faster.

Those who feared that removal of federal rate regulation would lead to steep rises in transportation costs have been proven dead wrong. "We've had many more rate reductions than we have had rate increases," claims Dempsey. "Take grain, for example. Grain is not moving very well. It is being stored by farmers, and they are not moving it because they are waiting for better prices. We've got thousands and thousands of covered hopper grain cars in storage, so rails have been offering all kinds of special arrangements to ships. The Soo Line Railroad Co., for example, offered two free grain cars for every ten a shipper would take, and they got about 1,000 cars on line that way."

In fact, the railroads could offer discounts like the Soo Line did before. Why didn't they do it? They were afraid to, Dempsey says, because they felt the discount rates would be tied up in ICC proceedings and would perhaps become permanent. So under the old regime, they simply refrained, Dempsey says.

The new spirit in rails is evident also in the mergers. The nation's largest system is the CSX, a combination of the old Chessie and Family Lines systems that now controls 27,000 miles of track and is expected by analysts to show a 20% gain in earnings next year. By May the proposed merger of the Southern Railway and the Norfolk & Western Railway should be reality, bringing the nation's two strongest, most efficient lines under the umbrella of Norfolk Southern Corp. Likewise, the merger of Union Pacific-Missouri Pacific-Western Pacific may also be complete.

For railroaders the longer lines will mean more profitable uninterrupted runs, and for shippers the mergers often will mean only one railroad, not several, to deal with.

Even Conrail, the federally run rail line covering the Northeast, is starting to make money, notes Dempsey. And the Conrail gains are attributable to smart management using the atmosphere of deregulation and the elimination of surplus trackage to create new competition with trucks. Conrail, he says, even is making money on a few specialized short hauls of 20 miles or less. "Shippers are willing to pay a premium for premium service," says Dempsey. "I think it's probable that Conrail will make it," he says, "and if Conrail makes it, that will be a big relief to the entire rail system." A recurrent nightmare for railroadmen was that Conrail would deteriorate so badly that railroad service throughout the country would suffer and demands for nationaliza-

Connubial bliss, Southern style

Life on the Southern Railway System will be just one long honeymoon after the merger with Norfolk & Western this spring, to hear Southern President Harold H. Hall tell it. The merger indeed looks like a match made in heaven: Both parties are highly profitable (in fact, the N&W is the only railroad that consistently outperforms the Southern), and the new Norfolk Southern Corp. will be a powerful competitor for the other new mega-merger giant, CSX Systems. Norfolk Southern has 18,100 miles of track in 21 states and part of Canada. It will also provide some economies of scale, including common car repair and rail welding yards and a consolidated sales and marketing force.

But the real benefit comes from new longer North-South routes, says Hall. He predicts the coal business, already a bonanza for both railroads, will be even richer. "And grain will be very good. General merchandise and piggyback traffic will increase, too, because we'll be able to provide good service for longer distances and in new markets neither of us penetrates now," Hall says. He concedes the potency of CSX, which covers 27,000 miles of track in many of the same states, but even so, Hall anticipates taking business from CSX in the Midwest on traffic moving through Chicago, Cleveland, Pittsburgh and Detroit.

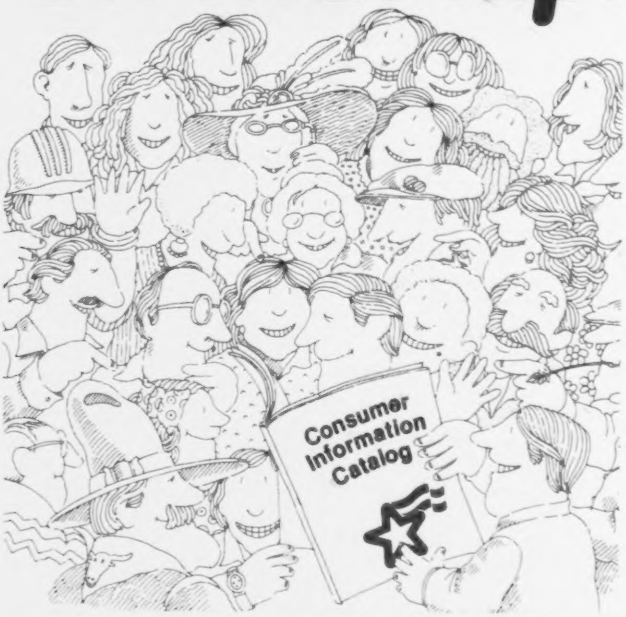
Southern Railway's Hall

"We're as efficient as any."

Rate-cutting wars? Even in the deregulation atmosphere and against the larger CSX system, Hall says, he's not that worried. "If somebody cuts prices in one area, you can retaliate in another. We're as efficient as any of our competitors, probably more so, and we can go as low as they can and still make money at it."

With domestic and export coal making up the greatest segment of traffic on the Southern and N&W lines, Hall foresees five to ten years of uninterrupted prosperity for the merged giant. And what does he see beyond that? Hall hints that the Norfolk Southern someday could become a "total transportation company, perhaps acquiring a piggyback trucking company, a barge line or two." And, of course, there is Norfolk & Western's current 20% interest—up from 8.8%—in highly profitable Piedmont Aviation. What are the prospects for a complete takeover five years from now when the current agreement limiting the railroad's holdings ends? For now, says Hall, it's merely "a good investment. And I can't look into the future any better than you can."—A.D.F.

The Book That Put Pueblo, Colorado On The Map.



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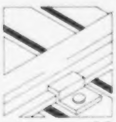


tion would mount.

Not everybody is happy. Not long ago, Carl E. Bagge, president of the National Coal Association, told a Senate oversight committee that coal shippers—who are "highly captive to the railroads"—were being subjected to "monopolistic abuses." He says that of the 500 million tons of coal shipped, more than 85% could only be shipped by rail. Since coal makes up 30% of the rail industry's ton miles, Bagge argued that it should get more favorable rates. He urged Congress to authorize eminent domain rights for coal-slurry pipelines to allow shippers to bypass the railroads.

The fact is, however, that the 30% of traffic generated by coal provides only 17% of railroad income, undercutting coalmen's complaints. During the last year, Dempsey points out, the rates for shipping coal by rail were raised only 12.6%, or only a fraction more than the 12% average price increase for general merchandise and other commodities in the U.S. He adds that coal prices have quintupled during the last 12 years while railroad rates for carrying it have increased only threefold.

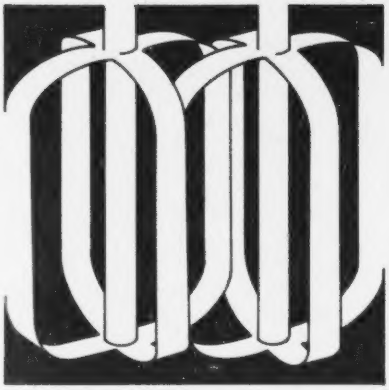
"We have to be able to make an adequate rate of return to maintain our track, buy new locomotives and provide the service to those very people who have been screaming bloody murder."

"Funny you should ask about coal," says Dempsey as he reaches for a folder full of statistics. He says that coal industry leaders haven't studied the statistics lately. "I assume they haven't," he says wryly. "Otherwise you'd think they're trying to mislead the Congress." Lobbyists, of course, will be lobbyists.

Southern Railway System President Harold H. Hall is more blunt about the arguments of the coal shippers. "Special interest groups have been screaming murder at the railroads for longer than I have been around. We have to be able to make an adequate rate of return to maintain our equipment, maintain our track, buy new locomotives and provide the service to those very people who have been screaming bloody murder. When it comes right down to it, I think they'd say they want strong railroads."

Why is Dempsey so optimistic? "We've got a rail plant that is finally getting into fighting shape." ■

Tired of calling the refrigerator repairman? Relax: The appliance industry is eager to sell you—and millions of others—a replacement.



Household goods

By **Thomas Jaffe**

THESE ARE NOT HAPPY DAYS for the people who make major appliances. Since 1980 the housing market, which accounts for some 30% of the industry's sales, has been disastrous. With construction starts still at depressed levels, there's hardly much to cheer about. Retail sales, which make up the other 70% or so of the business, promise to stay sluggish as well—at least through the first half of the year. As a result, experts project that total appliance shipments will be up a modest 3%, well below the record levels of 1973. "To see any sharp gains," says Mark Hassenberg, appliance analyst for Donaldson, Lufkin & Jenrette, "you'll have to hold out for next year. That's when the housing market ought to pick up. As for 1982, it'll be marking time."

Still, there is something that sets appliance makers drooling. The industry may well be on the verge of the biggest replacement boom ever. "There are over 340 million appliances in use," says Robert Brintnall, vice president of sales at Whirlpool. "So when you consider that those are what we're going to have to replace—well, that's a pretty big business by anybody's standards." Already, this market accounts for nearly 70% of all refrigerators sold at retail, some 85% of electric ranges, around 75% of washers and over 60% of dryers, but the growth potential is tremendous.

Consider the statistics: The average useful life of most big appliances is about 10 to 15 years, and a five-year period in the early Seventies was the greatest boom ever. Shipments totaled 156 million units. Thus a sales surge seems inevitable.

The only question is when. Last year, of course, the squeeze on disposable income and the high financing costs sent consumers back to the serviceman just one more time—and that trend could continue. "When you talk about an average life of, say, ten years," advises John Smallwood, former director of marketing research at Whirlpool and now head of his own Columbus, Ohio forecasting firm, "that doesn't mean all those appliances will self-destruct at the end of that period. A lot of those old GE refrigerators with the coiled-condenser tops that were made in the Twenties are still working."

Part of the uncertain timing of the replacement boom, however, may relate as much to changing lifestyles as to aging appliances. Take freezers. Young couples usually start off with enough freezer space in their refrigerator. Demands of a family may lead

Hot news

The malaise of big-ticket appliances doesn't extend to the microwave oven. Dependent on neither renewed replacement demand nor a comeback in the housing market, microwaves seem sure to cook up another successful year. In 1981 about 4.1 million were sold, up over 40% from 1980. (Ten years ago it was 314,000.) Even so, last year was the first time microwaves exceeded a 20% saturation of U.S. households. So there's a big hole out there yet to fill.

How do you get those first-time buyers into the field? The first-on-your-block pitch served to gain only about a 15% market penetration. Ever since, microwave makers have had to add new features and sizes. The industry has accommodated space-cramped apartment dwellers, for example, with models that go into walls or above the range where the fan used to be. That may sound minor, but coming up with that above-the-range innovation in 1979 has allowed GE to jump from fourth place in the market to a neck-and-neck contest with longtime leader Amana Refrigeration for number one; each of them has about a 17% share, closely followed by Litton Industries. A pack of Japanese manufacturers, led by Sharp and Sanyo (which supplies to Sears), represent another third or more.

So far, the fact that the product has undergone so many changes at the same time that the field has become more and more crowded with competitors—some 40-odd brands are now available—has acted to keep the $1.5 billion microwave-oven market remarkably free of cutthroat pricing. A price war is bound to come, however, says GE's James West, general manager of range products, "when microwaves reach a broader consumer base." As would logically follow, West also foresees a shakeout, although to date the biggest appliance maker of note to drop from the market is Sunbeam. Says Charles Mueller, manager of planning at Amana: "We're estimating microwaves will reach 50% penetration by 1986. And since we don't see them ever becoming as common a product as, say, refrigerators, that 50% range or maybe a bit more could well end up being their saturation level." That is when some manufacturers who can't stand the heat may have to get out of the kitchen.—T.J.

them to buy a separate chest or an upright. Such units have a life of 15 years or more. But by then the children may be out of the house, and a replacement unnecessary.

Unfortunately for appliance manufacturers, replacement sales are also tied to demand for housing. When a family moves into an existing home, for example, the previous occupants have usually taken at least some of the appliances with them. Hence the need to replace—and yet another reason the construction slump depresses appliance sales.

To feed or even accelerate this massive market, then, it is essential for the appliance industry to keep coming up with product improvements. For instance, in the early Seventies sales got a boost from self-cleaning ranges and frost-free refrigerators. From 1972 to 1974 this led to the early scrapping of relatively new units. Unfortunately it also took away the welcome cushion those replacement sales might have provided during the subsequent lull in the housing market.

These days dishwashers offer the best example of how new features can stimulate replacement sales. Dishwashers have achieved 50% saturation in U.S. households, *vs.* the virtual 100% penetration of the refrigerator. Yet because of such recent twists as the cold-water-rinse setting and no-heat drying, replacement now accounts for about half of dishwasher unit sales.

"If we don't come up with a better mousetrap, customers will go to the other guys when it comes time to replace," says Richard Gralton, general manager of marketing for major appliances at General Electric, which leads the pack in the $500 million-a-year retail dishwasher market.

The very fact, of course, that executives get excited about the replacement market instead of about sales to builders or new-home buyers—which represent real growth—is an indicator of relatively hard times. What's more, over the coming few months customers who do decide to replace their worn-out washers, ranges or refrigerators will be very tough shoppers indeed. All the more reason why appliance industry executives are looking forward to 1983—or 1984—instead of at the current dismal forecasts. ■

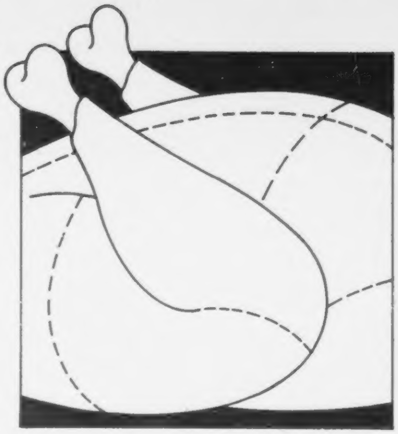
Household goods

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Appliances												
Maytag	25.5%	1	20.9%	0.0	19.5%	1	24.4%	9.7%	8.3%	5	6.6%	7
General Electric	20.6	2	19.6	0.1	18.1	2	18.0	6.1	11.6	3	12.4	3
Whirlpool	18.8	3	19.7	0.1	18.2	3	16.6	5.6	7.4	7	12.3	4
White Consolidated	16.8	4	16.4	0.5	11.4	6	10.6	3.4	13.1	2	7.6	6
Scovill	15.6	5	9.9	0.6	8.8	4	11.6	2.2	8.1	6	28.2	1
Sunbeam	12.8	6	11.2	0.4	8.7	7	10.3	3.1	10.8	4	8.6	5
Magic Chef	12.4	7	13.6	0.5	9.4	5	10.9	2.7	17.4	1	18.4	2
Hoover	9.8	8	def	0.1	def	8	7.9	def	6.5	8	3.2	8
Singer	6.9	9	15.2	0.7	8.7	9	5.7	1.7	2.5	10	D–P	
Zenith Radio	6.1	10	7.0	0.5	5.6	10	5.5	1.6	3.5	9	–14.0	9
Medians	**14.2**		**14.4**	**0.5**	**9.1**		**10.8**	**2.9**	**8.2**		**8.6**	
Housewares & furnishings												
Insilco	16.8%	1	16.1%	0.5	10.2%	3	10.4%	5.0%	9.3%	4	11.6%	4
Black & Decker	16.1	2	11.4	0.4	9.5	1	13.3	4.6	15.7	2	14.0	3
Stanley Works	15.9	3	14.2	0.2	11.7	2	12.9	5.2	11.8	3	14.4	2
Roper Corp	11.3	4	9.7	0.7	7.5	5	8.1	1.9	6.3	5	15.0	1
Toro	9.6	5	def	0.7	def	4	9.5	def	18.1	1	0.5	5
Mohasco	3.9	6	4.0	0.7	4.5	6	4.1	1.1	5.7	6	–10.2	6
Talley Industries	def	7	def	0.8	def	7	2.6	def	3.7	7	P–D	7
Medians	**11.3**		**9.7**	**0.7**	**7.5**		**9.5**	**1.9**	**9.3**		**11.6**	
Housekeeping products												
American Home Products	33.0%	1	32.8%	0.0	32.7%	1	33.0%	11.9%	10.9%	5	12.2%	2
Procter & Gamble	19.5	2	18.6	0.2	14.2	3	15.1	6.0	13.5	2	12.0	3
Clorox	18.6	3	17.0	0.2	14.4	2	15.1	5.6	6.9	7	7.7	5
Economics Laboratory	17.4	4	15.6	0.6	10.8	4	13.6	4.7	14.8	1	13.4	1
Purex Industries	14.8	5	14.1	0.2	11.4	6	11.3	4.2	7.7	6	7.0	6
Colgate-Palmolive	14.1	6	13.2	0.2	10.8	5	12.2	3.2	12.1	3	4.6	7
Scott Paper	11.4	7	10.3	0.4	8.0	7	8.5	5.4	11.8	4	10.1	4
Medians	**17.4**		**15.6**	**0.2**	**11.4**		**13.6**	**5.4**	**11.8**		**10.1**	
Industry medians	**15.2**		**13.9**	**0.4**	**9.9**		**11.1**	**3.8**	**10.1**		**10.1**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
P-D: profit to deficit. D-P: deficit to profit: not ranked. Def: deficit.

There was a time when you could buy a whole fish in the supermarket. Someday you may remember chicken that way, too.



Food processors

By Paul B. Brown

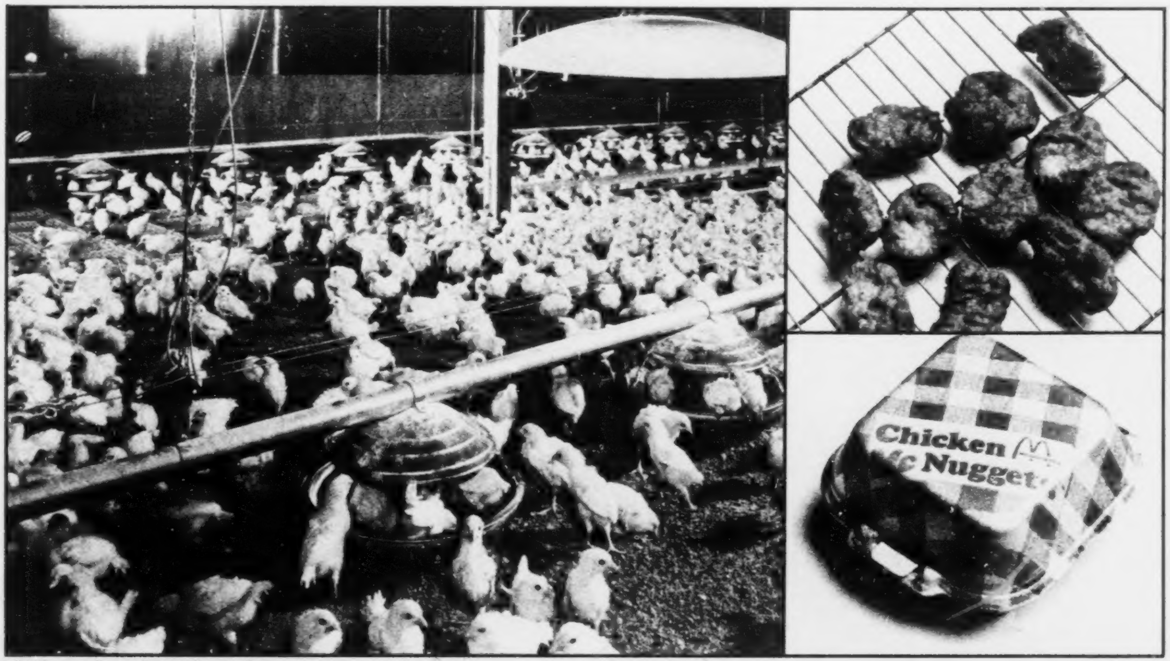
TWENTY YEARS AGO you could walk into your supermarket and buy a fish that had a head, two eyes and a tail. "That's about all they sold," says A. Joe Benjamin, senior vice president of Keystone Foods. "Today it's fish patties, fish sticks, fish fillets. The same thing is going to happen to chicken. There just isn't any reason to ship the bones." Benjamin hastens to say all this may take ten years. But sooner or later, he predicts, most of the chicken in your supermarket will be in machined shapes.

Most food processors agree. Today, says Don Tyson, CEO of Tyson Foods of Springdale, Ark., "people say, 'I don't want to cook that damn chicken, it takes too long.' They just want to take it out of the package, plunk it in the microwave and serve it."

One big reason: Fast-food chains like McDonald's—which provides 95% of Joe Benjamin's business—have made machine-tooled chicken socially acceptable. Within the last three years just about every franchise has added some kind of chicken sandwich to its menu, says George B. Watts, president of the National Broiler Council. "The customer has begun looking for a similar product at the supermarket," says Watts, "and food processors are responding to that demand."

Indeed they are responding so well that processed chicken is now the fastest-growing segment of the poultry market. In 1980 Americans consumed 11 billion pounds of broilers, about 10% of them processed. "That 10% is up from 5% in the last ten years," says William P. Roenigk, director of economic research for the Broiler Council, "and we think it will reach about 25% by the end of the decade."

Why processed chicken, though, instead of beef? First, it's cheaper. Working couples don't have a lot of time to prepare foods, but neither do they want to ruin their budget on con-



Chicken—from brooder to bag

There is only so much sausage you can stuff.

venience foods, Roenigk points out. "Also, they are thinking about nutrition, and chicken is perceived as being more of a health food."

The result has been to give the food processor something to do with the 35% or so of a chicken—the back and neck—that nobody wants to eat. "Years ago we used to throw them away," says Tyson Food's Tyson. Then the food processors started stripping off the meat and selling it for dog food or putting it in products like frankfurters (if more than 15% of the hot dog is composed of chicken, it must be labeled differently from a regular hot dog). Consumers didn't seem to mind. In fact, chicken franks grew from just 3% of the frankfurter market in 1977 to 13% in 1980. Chicken is also used in bologna and other kinds of sausage.

But there is only so much sausage you can stuff. So in 1963 Cornell professor Robert C. Baker started pressing the meat together with the choicer meat of the drumsticks, thighs and breasts into hot-dog shapes and test-marketed them as Bird Dogs. Voilà! Processed chicken was born.

Further combinations are expected in coming years, as chicken processors continue to search for different ways to expand their market during a decade of slow population growth. "The American stomach isn't going to grow that much larger," Roenigk says. "The overall market for meat isn't going to grow that much, and chicken demand will only grow as a tradeoff with other meats. [Per capita consumption of chicken in 1981 was 53 pounds.] Given limited growth, everybody in the food processing business is going to compete that much harder. We know that people don't want to eat a whole chicken every day. So you have to give them new products."

The same potential exists for turkey, says Wallace L. Tunnell, president of Greyhound's Armour Food division; it can be something more than a holiday meal. "Value-added turkey products, such as our new line of turkey hot dogs, turkey hams and turkey salami, are beginning to make their mark on the industry," Tunnell says—although he declines to provide market share figures.

Processed poultry is more costly—less than $1.50 per pound, compared to about $1.04 for chicken breasts—but there are no bones to throw out. And margins are higher, because processors can use parts of the bird they used to throw away, and also save shipping costs since they don't have to ship the carcasses. Chicken roll cordon bleu, anyone? ■

Food processors

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Meatpackers												
Keystone Foods	24.7%	1	20.8%	0.9	11.5%	2	14.5%	1.0%	27.1%	1	20.9%	1
Esmark	21.1	2	14.0	0.6	9.3	4	12.7	2.6	1.9	10	16.0	4
Idle Wild Foods	19.9	3	18.0	0.2	14.9	1	16.0	1.3	10.2	5	17.2	2
Tyson Foods	15.6	4	4.7	1.6	4.0	5	10.9	0.4	16.5	2	12.2	5
George A Hormel	15.5	5	12.5	0.1	11.3	3	13.7	1.9	7.3	7	16.7	3
Greyhound	13.9	6	16.2	0.5	11.7	6	10.1	2.9	5.4	8	6.8	6
Frederick & Herrud	13.2	7	1.3	0.9	3.1	7	9.5	0.1	14.9	3	3.8	7
General Host	def	8	def	2.1	def	8	3.0	def	–0.9	12	P–D	8
Monfort of Colorado	def	9	43.4	1.2	22.7	9	0.7	1.1	13.8	4	P–D	8
Wilson Foods	def	10	def	1.1	def	10	def	def	4.5‡‡	9	D–D	10
Rath Packing	def	11	def	4.6	def	11	def	def	0.9	11	D–D	10
Swift Independent	**		26.1	1.3	11.2		**	0.8	8.4‡‡	6	**	
Medians	**13.9**		**13.3**	**1.0**	**10.3**		**10.1**	**0.9**	**7.9**		**6.8**	
Agricultural commodities												
Pioneer Hi-Bred Intl	25.1%	1	26.7%	0.2	22.8%	1	22.0%	13.3%	19.8%	2	19.6%	4
ConAgra	24.2	2	24.2	0.7	15.6	2	15.7	1.8	11.3	6	41.8	2
Kay	23.9	3	def	1.5	0.2	3	12.9	def	21.3	1	49.9	1
Archer Daniels Midland	16.9	4	20.1	0.5	15.4	4	12.9	5.0	14.1	5	19.1	5
A E Staley Mfg	16.1	5	26.3	0.2	19.3	7	11.3	5.3	19.8	2	10.0	8
Seaboard Allied Milling	15.3	6	11.8	0.4	8.5	8	10.8	1.4	7.7	9	20.9	3
DEKALB AgResearch	15.3	7	10.8	0.5	8.4	5	11.8	5.2	15.8	4	10.4	7
Savannah Foods	13.2	8	43.8	0.4	26.0	10	9.0	3.6	4.3	11	6.8	9
Peavey	12.6	9	14.8	0.4	10.6	9	9.4	2.9	8.6	7	4.5	10
Anderson, Clayton	12.0	10	12.3	0.1	12.3	6	11.4	3.0	7.3	10	12.9	6
Central Soya	10.2	11	6.7	0.5	6.0	11	8.1	1.0	8.0	8	0.5	11
Medians	**15.3**		**14.8**	**0.4**	**12.3**		**11.4**	**3.0**	**11.3**		**12.9**	
Industry medians	**15.3**		**14.0**	**0.5**	**11.2**		**11.1**	**1.4**	**8.6**		**11.3**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
‡‡Three-year growth. P-D: profit to deficit. D-D: deficit to deficit. def: deficit. **Not available; not ranked.

What do you do when your market grows at less than 2% a year and you are being challenged at the low end? Try to take the high ground.

Branded foods

By Paul B. Brown

COMPETITION HAS NEVER been more vigorous," says Kellogg Chairman William E. LaMothe, whose company owns 40% of the cereal market. That may be an understatement. The U.S. population is getting older and more health-food conscious, and with more women in the work force fewer meals are being eaten at home.

But the big imponderable comes in a plain white wrapper. It's called "generics." Simply packaged and cheap, generic foods are branded foods' polar opposite. They now represent about 1.6% of all food sales. That doesn't sound like much, but the figure has doubled in a year. And, at the next step up, private-label "store-brand" foods have captured 14.4%—up 3.5% from the previous year—in a total food market that is growing only between 1% and 2% annually. So it would be a foolish food company executive who took the trend lightly.

"There are always people who are willing to pay more to get more," says Peter Rosow, general manager of General Foods' desserts division. "But there are also people who will always look for the lowest price. In the current economic environment, those trends tend to become magnified."

When that happens, the pressure falls on the branded foods companies to justify their higher prices, says Richard A. Zimmerman, president of Hershey Foods Corp. "There is no doubt that the white boxes are beginning to have an impact," Zimmerman says. "That means we have to make sure that the value is there—by using better ingredients and by having a distinctive flavor. Everyone seeks the best buy he can find, but the best buy is not always the least expensive, and we have to get that message across."

Consumers who buy generics are often middle class, usually with college degrees. "The more educated people are, the more likely they are to try a generic," says Frank V. Forrestal, president of Borden's consumer products division. "To them, peas are peas are peas. But someone who hasn't gone to school is more likely to buy

CAREFULLY BALANCED TO ACHIEVE
GRAND UNION
BASICS
DISHWASHER DETERGENT
BASICS
PORK & BEANS in Tomato Sauce
PORK & BEANS in Tomato Sauce
GRAND UNION
BASICS
Pure Ground BLACK PEPPER
NET WT. 8 OZ. 226G
BAGS

Generic foods
The big imponderable comes in a plain white wrapper.

the same brand of peas their mother did. They wouldn't go below that. It would be beneath their dignity."

William Maguire, a food analyst for Merrill Lynch, thinks the fate of nonbranded foods is tied to the weather, not economic status: "It's a boom in commodity production that stimulates these products. When the wheat, corn, beans and sugar crops are good, it brings out the private label and generic products. When you have a short crop, they will disappear."

Even if generics and private labels are a temporary problem, though, branded foods companies still face changing consumption patterns and limited growth. Those long-term problems prompt differing responses. Since its restructuring in 1980, Borden is moving heavily into specialty chemicals, like thermoplastics and thermosetting resins used in the housing industry, and is selling off a large portion of its dairy products. Borden made the move to boost return on equity, which has traditionally trailed that of other branded foods. Other companies are trying to make changes within their traditional product line. Kellogg, for example, has a new line of cereals called Nutri-Grain, vitamin enriched and sugarless, to tap America's health consciousness.

Branded foods

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Diversified												
Dean Foods	22.8%	1	25.6%	0.6	16.5%	1	16.2%	2.3%	15.6%	6	28.0%	2
CPC International	19.2	2	18.5	0.2	15.2	2	15.6	4.7	9.9	17	13.1	7
General Mills	18.9	3	20.1	0.3	15.5	3	14.4	4.3	14.2	9	15.4	5
Curtice-Burns	18.5	4	17.2	2.5	8.1	15	10.1	1.4	24.0	1	12.5	8
Nabisco Brands	17.8	5	18.8	0.4	13.4		**	4.4	8.9‡	19	12.2‡	9
General Foods	17.4	6	14.7	0.2	11.6	4	13.9	3.2	11.2	12	11.9	10
Pillsbury	17.1	7	16.0	0.8	10.1	13	11.4	3.5	17.8	3	15.3	6
Beatrice Foods	17.0	8	17.5	0.3	13.4	5	13.7	4.1	14.2	7	10.7	14
H J Heinz	17.0	9	19.6	0.2	15.2	8	13.1	4.9	12.1	10	18.4	4
Universal Foods	17.0	10	15.8	0.5	11.9	7	13.4	3.1	19.9	2	11.7	13
Ralston Purina	16.2	11	15.4	0.4	11.4	11	11.6	3.4	10.2	15	10.6	15
Consolidated Foods	15.9	12	17.1	0.4	11.2	10	12.2	2.5	14.2	7	11.8	12
Dart & Kraft	15.6	13	14.9	0.2	12.5	9	13.0	3.9	9.9‡	17	11.9‡	11
Campbell Soup	15.0	14	13.6	0.1	11.7	6	13.6	4.7	10.3	13	9.0	18
Intl Multifoods	14.1	15	15.0	0.5	10.2	14	10.4	2.7	6.0	21	9.8	17
Norton Simon	14.0	16	11.3	0.6	7.5	17	9.4	3.2	11.3	11	8.3	19
Federal Co	13.0	17	9.5	0.1	8.6	12	11.6	1.4	15.8	4	4.9	20
Borden	12.8	18	12.4	0.4	9.1	16	9.7	3.4	7.0	20	10.3	16
Di Giorgio	10.3	19	9.2	0.8	6.3	19	7.4	1.1	10.2	14	20.2	3
Castle & Cooke	10.0	20	7.0	0.6	6.1	18	7.6	1.7	15.7	5	1.2	21
Kane-Miller	4.3	21	7.0	0.8	6.2	20	4.6	0.9	3.2	22	–11.4	22
United Brands	3.3	22	1.9	0.5	2.6	21	3.5	0.3	10.1	16	102.9	1
Medians	**16.1**		**15.2**	**0.4**	**11.3**		**11.6**	**3.2**	**11.3**		**11.9**	
Specialized												
Kellogg	27.3%	1	26.1%	0.1	21.9%	1	22.6%	8.4%	13.2%	5	13.2%	7
Flowers Industries	19.7	2	19.6	0.6	12.7	7	12.5	3.7	19.4	1	16.0	2
Hershey Foods	18.5	3	21.7	0.4	14.8	3	14.9	5.5	16.4	2	14.0	5
Campbell Taggart	18.2	4	18.1	0.3	14.0	6	13.7	3.3	12.5	7	13.5	6
Quaker Oats	17.3	5	17.5	0.2	12.5	8	12.3	4.1	11.9	9	16.4	1
Carnation	17.1	6	15.7	0.2	13.3	5	14.0	4.5	10.1	11	11.6	9
Wm Wrigley Jr	16.1	7	13.5	0.0	13.1	2	15.4	5.2	12.1	8	6.9	11
Gerber Products	15.9	8	17.0	0.2	14.8	4	14.2	5.9	11.4	10	11.0	10
McCormick	14.9	9	15.6	0.7	10.7	9	11.3	3.4	16.4	2	11.6	8
Knudsen	14.1	10	17.1	1.0	9.8	11	8.6	1.7	16.1	4	15.9	3
Amstar	12.3	11	25.3	0.1	18.8	10	9.2	4.2	3.4	15	2.0	14
Amer Maize-Products	10.0	12	11.4	0.7	8.0	12	7.8	2.7	12.6	6	2.7	13
Stokely-Van Camp	8.2	13	8.3	0.3	6.6	13	6.5	2.1	6.0	13	4.2	12
American Bakeries	5.9	14	def	0.7	0.7	14	5.3	def	5.8	14	14.1	4
Interstate Bakeries	4.0†	15	def	3.9	def	15	4.8†	def	9.4‡‡	12	P–D	15
Medians	**15.9**		**17.0**	**0.3**	**12.7**		**12.3**	**3.7**	**12.1**		**11.6**	
Industry medians	**15.9**		**15.7**	**0.4**	**11.6**		**11.9**	**3.4**	**11.9**		**11.8**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
†Four-year average. ‡Four-year growth. ‡‡Three-year growth. P-D: profit to deficit. def: deficit.
**Not available; not ranked.

Hershey, like other middle-tier branded foods companies, is not only expanding existing product lines and buying other smaller, usually well-known, regional branded products, but also moving into new areas—a course General Mills, Quaker Oats and Pillsbury have charted. The reason? As Willie Sutton said, that's where the money is. Says Zimmerman: "You need to cover all the bases."

For Hershey, two of those bases have nothing to do with candy. Hershey has bought four pasta companies—San Giorgio, Delmonico, P&R and Skinner—since 1966, and is now number two in pasta behind C.F. Mueller Co. In 1979 Hershey acquired the 625-store Friendly Ice Cream chain that specializes in informal meals and desserts. Both moves reflect changing lifestyles, Zimmerman says: "With both people working, more meals are eaten out. I long ago disabused myself of the idea of getting the wife back into the kitchen. She doesn't want to be there, and has skills that have developed well beyond that. This is not to say she doesn't like to cook, but she usually doesn't have the time."

But no matter how much diversification helps, the basic problem remains: The average branded food costs about 15% more than the average private label, and 30% more than generics. What's in a name? It has to be quality. Says Kellogg's LaMothe: "We're tested on every spoonful." ■

Destiny's toy

About 40% of the babies born in the expected U.S. baby boomlet of the Eighties will be firstborn, and as Lehman Brothers analyst John Maxwell puts it, "The firstborn gets the toys, the secondborn gets the castoffs." Since only 28% of the post-World War II babies were firstborn, this is great news for the toy business, one of the branded food industry's favorite diversifications.

At first glance it's hard to see why toys are so attractive to the food industry. The toy business has been rugged terrain to branded food companies for years. Nabisco took a $26 million writedown when it sold Aurora Products Corp. in 1977; Quaker Oats wrote off $11.9 million in 1976, when it sold Marx after four years. The British company that bought Marx—Dundee-Combex—promptly went bankrupt.

But before Marx there was Fisher-Price, which Quaker bought in 1969 and which has flourished ever since. In Quaker's fiscal year ended last March, $385 million (sales) Fisher-Price accounted for 15% of corporate revenues and 21% of operating profit with its $50.6 million earnings; its pretax margin of 13.1% was the highest of any Quaker division.

The principal reason Quaker did well with Fisher-Price and not with Marx: Quaker left Fisher-Price alone. All but two of its nine top officers reached vice president from within the ranks, and President Franklyn Barry has been with the company for virtually his whole career. That was not the case with Marx, whose management was replaced by "Quakers."

And, according to James Tindall, Fisher-Price vice president and general manager for U.S. operations (who notes that he is one of the few "Quakers" at Fisher-Price): "The company has had a clear sense of its identity, its standards and its place in the market."

Why have other food companies had so much trouble? The toy business is much more "fashion-oriented," Tindall says, and much more seasonal. Food is not a sometime thing, whereas two-thirds of the toy industry's sales are in the seven weeks before Christmas. This does not make for smooth production runs and leaves precious little time to correct marketing mistakes.

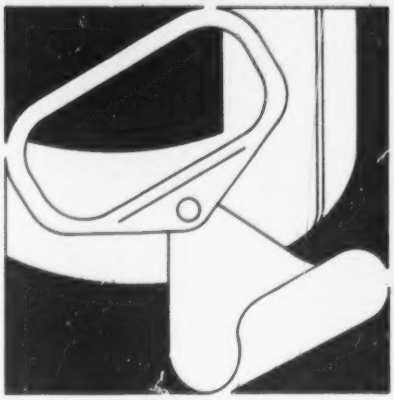
Fisher-Price moderates these bumps by offering to wait for payment until December if large retailers take shipments as soon as they are available, starting the previous January. "In essence, we're saying to our customers, 'You be our warehouse and we'll be your bank,'" Tindall says. In fact, it ships 40% of its toy dollar volume in the first six months of the year, at a time when retailers are buying only 3% to 5% of their yearly shipments per month. "It gives us a big share of the retail shelf early in the year," Tindall says, and it helps even out production runs. Of course, it's been expensive lately—financing that already delivered inventory at sky-high interest rates, combined with lackluster buying during the brief recession, caused Fisher-Price's pretax profits to decline from $55 million in 1980 to $50.6 million in 1981.

"We're really very optimistic about the next five to seven years, based on the Census Bureau's latest population projections," Tindall says. But it will not be anything like the post-World War II boom, which was a much more sudden jump. And it will not support sloppy management.—**Robert McGough**

Baby boomlet

"The firstborn gets the toys."

The generation that got hooked on colas is growing up—and out. But that unsightly bulge around the middle is good news for makers of soft drinks and beer, and even for winemakers.



Beverages

By Paul B. Brown

THE PEPSI GENERATION is getting fat—or at least getting worried about getting fat—and the $40 billion overall beverage market will show only modest growth through the Eighties. Total consumption of beer and soft drinks is expected to increase by just 3% and 4% a year respectively for the next five years. Bad news for the industry? Not necessarily. The increasingly diet-conscious Pepsi generation, people born between World War II and Vietnam—at 75 million, the largest segment of the U.S. population—are turning to diet colas, now 15% of the soft-drink market. That market will probably grow 8% a year. Light beers, too, should gain market share twice as fast as their heavier counterparts.

Further, says Emanuel Goldman, beverage analyst at Sanford C. Bernstein & Co., future diet colas may lack the bitter aftertaste of today's saccharin-based product. As drinks using aspartame, a heralded saccharin replacement that is still being tested, become widely used, he says, "the drinks should taste better, so people may drink a bit more." Drinking more also has a lot to do with the popularity of light beer, which now represents 13% of the beer market. Calories have less to do with it, says Robert S. Weinberg, a beer consultant in St. Louis: "What sells light beer is that it is less filling; you can drink more."

All this has not gone unnoticed by winemakers. Low-calorie wine, in fact, may be the big news of 1982's wine market—or the biggest flop. Both Paul Masson and Taylor wines, a division of Coca-Cola, introduced "light" wines in selected markets last summer. The numbers make it hard to resist, says Paul Masson Vice President Jan Wells. "In the last five years, light beers have grown 350%, diet drinks are up 58% and sparkling waters sales have increased by 49%," he says. So why not a diet wine?

In 1980, the average American consumed about 40 gallons of soft drinks and 25 gallons of beer, but just 2.3 gallons of wine, according to *Beverage Industry*, a trade magazine. So wine-

Chateau Sam Houston?

Ah, the Texans. When the oil runs out, one thing they plan to replace it with is wine.

Someday, says Dr. Charles McKinney, chief of the University of Texas wine research project, 60,000 acres of cultivated Texas desert could bring the university more than $50 million annually in income. Texas, he says expansively, could wind up second only to California in the production of quality domestic wine.

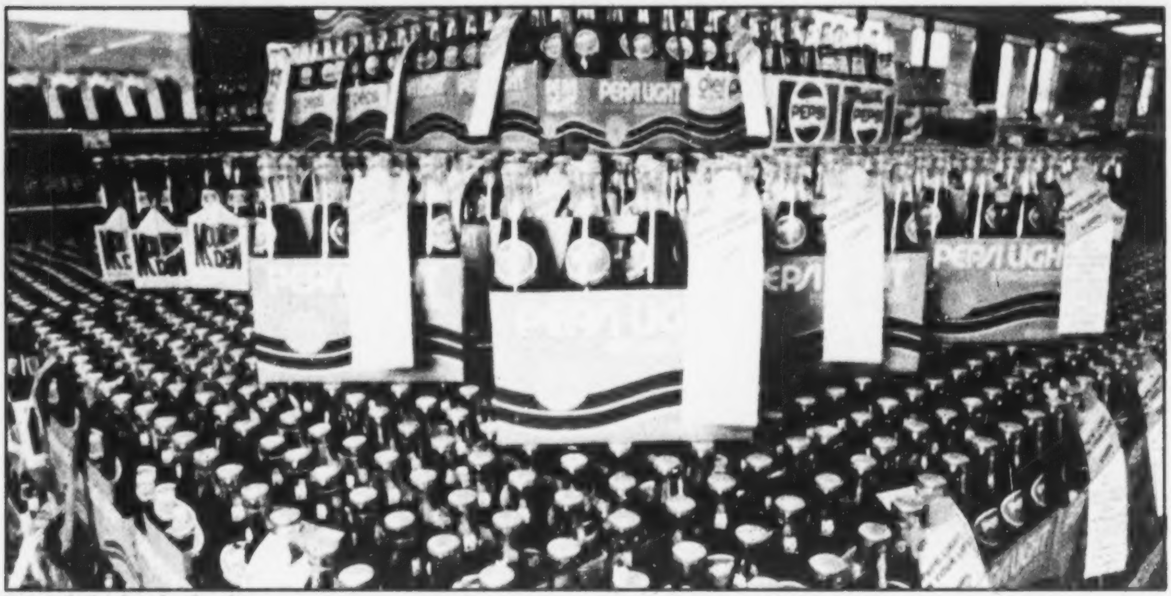
Does that sound like mere Texas bragging? Maybe so, but there *is* such a thing as Texas wine right now; McKinney's experimental vineyards in the Midland-Odessa area produced 1,200 gallons of it last year. "It's unbelievable," says one convert to Texas wine, a reporter for an Austin daily. "You top a rise and there's a vineyard in the middle of the goddamn desert."

The stuff's not bad, either. Dr. Fred Nury, professor of enology at California State University at Fresno, has conducted blind tastings which rated most of the Texas white wines. He says they're "certainly at the level of medium to high quality." California grapes seem to produce the best wines in the Texas climate.

The university has 165 acres planted at Bakersfield, 310 miles west of San Antonio, and by 1984 plans to have 1,000 acres, yielding 500,000 gallons of wine for sale by 1986. The soil is porous and well-drained, good for wine grapes, say Californians familiar with the project. Their only worry is the weather—it is hot and windy, and subject to hailstones and the occasional tornado. McKinney says in defense that Bakersfield makes up for it with more sunshine, and the wind helps mitigate the heat.

If Texas can get a wine industry going, says McKinney, it will lease out university land for vineyards on a royalty basis, as it does now for oil. The university's oil and gas income, $145 million last year, goes into a fund, the interest going to the university. With oil production in Texas falling about 5% per year, the university, like Saudi Arabia, is planning ahead. Not even the enthusiastic McKinney believes grapes will replace oil, but he thinks they may "lessen the blow."

McKinney says a "nationally known" winemaker wants to build a winery in Texas; he won't say which one because "they wanted to have the jump on their competitors." But a spokesman for a large California winemaker is a little more skeptical. "I don't know how you would market Texas wines," she says. That's a Californian talking, though. Everybody knows they have always been jealous.—**Robert McGough**



Diet soft drinks after bottling
The forerunner of diet wine.

makers figure the diet product is worth a shot; maybe it will expand their market a bit. They look forward to the day when the sommelier will offer you a wine list that reads: reds, rosés, whites and diet. It may not happen. "Unless they are winos, most people just don't drink a lot of wine," Goldman says. "I wonder if they wouldn't prefer the taste to calories." Only market research will tell.

Eileen Honey, 32, of Main Street in Ridgefield, Conn. isn't aware of all the market research the industry has devoted to determine what she will drink, but her thoughts about diet beverages are enough to warm the industry's heart on a cold winter night. "I've been drinking diet drinks for about three years," says the manager of the classified department at Acorn Press there. "I have a sweet tooth, so I like drinking something like a Coke, but as we get older we have to watch our weight." How goes her battle of the bulge? "Well . . . pretty good," Honey says. ■

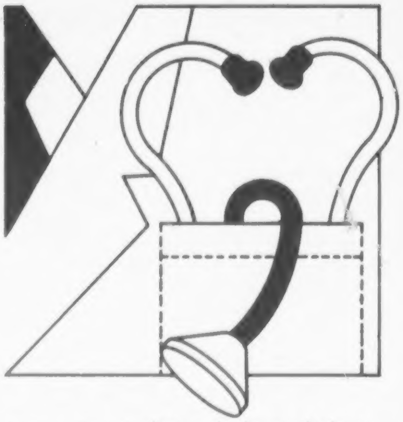
Beverages

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
G Heileman Brewing	31.2%	**1**	30.7%	0.3	21.4%	**1**	23.2%	4.9%	28.2%	**1**	31.4%	**1**
Coca-Cola	23.4	**2**	22.8	0.1	20.1	**2**	21.9	7.7	14.9	**5**	11.7	**7**
PepsiCo	22.4	**3**	22.5	0.5	14.9	**3**	16.1	4.8	20.2	**2**	16.2	**5**
General Cinema	20.8	**4**	22.3	1.0	12.9	**5**	13.1	4.6	17.6	**3**	17.8	**3**
Brown-Forman Dist	19.2	**5**	24.6	0.3	18.6	**4**	14.6	9.3	12.6	**6**	21.2	**2**
Anheuser-Busch Cos	17.8	**6**	20.0	0.6	10.8	**7**	10.8	5.6	16.1	**4**	15.9	**6**
Heublein	15.3	**7**	17.7	0.4	13.3	**6**	11.3	4.5	6.8	**11**	6.8	**8**
Seagram	14.0	**8**	25.0	0.3	18.4	**8**	10.7	12.2	6.3	**12**	17.0	**4**
National Distillers	12.3	**9**	12.6	0.3	10.0	**10**	9.9	6.3	8.0	**10**	6.3	**9**
Royal Crown Cos	12.3	**10**	11.5	0.6	8.6	**9**	10.1	2.7	12.3	**7**	–1.8	**12**
Adolph Coors	10.3	**11**	6.2	0.0	5.8	**11**	9.6	4.9	10.4	**9**	2.2	**11**
Olympia Brewing	6.6	**12**	0.8	0.2	1.5	**12**	5.9	0.2	12.0	**8**	2.9	**10**
Pabst Brewing	4.1	**13**	def	0.1	0.2	**13**	3.8	def	6.3	**12**	–14.0	**13**
Joe Schlitz Brewing	def	**14**	def	0.3	def	**14**	0.7	def	2.3	**14**	P–D	**14**
Industry medians	**14.7**		**18.9**	**0.3**	**11.9**		**10.8**	**4.9**	**12.2**		**9.3**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
P-D: profit to deficit. def: deficit.

Open-heart surgery in a catheter, kidney dialysis in a plastic bag. They promise miracles, but is there a cure for the $235-a-day hospital room?



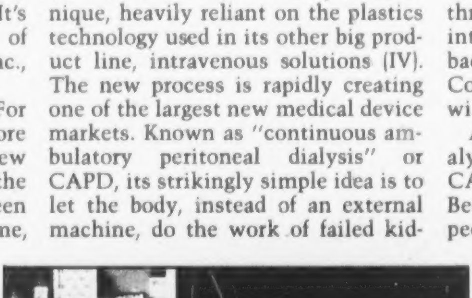
Health care

By Pamela Sherrid

"THE NAME OF THE GAME is to obsolete your own product. Otherwise someone else will do it for you." That may sound like an executive in the semiconductor or computer industries, but it isn't. It's Vernon Loucks, chief executive of Baxter Travenol Laboratories, Inc., the big hospital supply company.

High-tech in hospital supply? For years this industry offered little more innovation than an occasional new model of bedpan. No more. Since the mid-Seventies the industry has been expanding away from high-volume, low-margin items such as syringes, sutures and dressings and toward sophisticated electronic and biological technology. The catalyst for this transformation is public outrage about soaring health care costs. Hospital administrators are getting tougher on costs all the time, driving down margins on those traditional commodity health care products. Hospital-supply R&D budgets are swelling, just like those of pharmaceutical companies.

At American Hospital Supply Corp., for example, R&D spending is rising far faster than sales; it will be 65% higher in 1981-83 than in the preceding three years. At some companies, the fruits of this increased spending are already contributing to earnings. For other products, the payoff is still years away. But even the hint of a sexy new product can help a hospital supply company's stock performance. "Investors want both the steak and the sizzle," says Merrill Lynch analyst Michael LeConey. "New products supply the sizzle."



Becton, Dickinson's cell-sorting machine

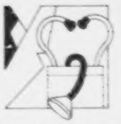
Finding the needles in the haystack.

The best results often come when a company builds on existing technical expertise. Witness Baxter and the dialysis market, in which it is a leader but has been squeezed by price competition in recent years. In 1979 Baxter introduced a new dialysis technique, heavily reliant on the plastics technology used in its other big product line, intravenous solutions (IV). The new process is rapidly creating one of the largest new medical device markets. Known as "continuous ambulatory peritoneal dialysis" or CAPD, its strikingly simple idea is to let the body, instead of an external machine, do the work of failed kidneys. In traditional hemodialysis, three times a week for four to six hours a patient must hook up to a machine that draws the blood out of his body and cleanses it. With CAPD, the patient simply pours around 2 liters of dialysis solution from a plastic bag into his own abdominal (or peritoneal) cavity via a surgically implanted tube. While he goes about his normal activities, the wastes in his blood pass through the peritoneal membrane into the solution. He drains the fluid back into the bag and throws it away. Cost: $15,000 per year, compared with $25,000 on a dialysis machine.

Already, 8% of the 60,000 U.S. dialysis patients have switched to CAPD. The market is not unlimited: Because only alert and meticulous people can handle the technique, at best perhaps just 25% of all dialysis patients will eventually use it. But by 1984 that alone will be at least a highly profitable $200 million market.

Variations on IV technology have given rise to other products. Analysts are pleased with a newly announced Baxter program to deliver to hospitals IVs premixed with commonly used drugs from Merck, SmithKline and Searle, saving the hospital pharmacist a time-consuming step. "Those products will cannibalize the basic IV," says Loucks, "but they'll do so at an advantage to us."

Or take Abbott Laboratories, which has been aggressive in the market for nutritional IVs. It's surprising, but studies have shown that about half of all hospital patients suffer from some degree of malnutrition. Introducing intravenous feeding used to require a catheter in the chest. Abbott developed its own special nutritive that can be given in the arm—again, not only simpler but cheaper. These new solutions are now the fastest-growing segment



of the $175 million nutritional IV market, which itself is growing 30% a year.

Another ingenious product: C.R. Bard's Grüntzig "balloon" catheter, an alternative, for a few, to open-heart surgery. It's a tiny contraption that's threaded through an artery in the arm up to a clogged passage in the heart. There its balloon is inflated, compressing the waxy plaque that has been preventing the flow of blood. When the balloon deflates, the catheter slips out. Though controversial among cardiologists, there's no doubt it is cheaper than surgery. The cost of the treatment is about $4,500, compared with around $20,000 for an open-heart operation.

As large as is the potential for therapeutic devices, even more money is being poured into the search for diagnostic techniques. As Johnson & Johnson Chairman James Burke says: "Cost-effective health care will come primarily through the early and accurate diagnosis of disease, leading to quick and well-targeted treatment." J&J is putting lots of cash into its money-losing diagnostic imaging business, Technicare, which competes with the likes of GE and Siemens selling CT scanners.

But the biggest breakthroughs in diagnostics have come in the field of immunology—the study of how the body fights off diseases. The big new development is "monoclonal" antibodies, which may hold as much promise as recombinant DNA. Scientists hope to apply the new technique to everything from cancer therapy to drug overdoses.

Bacteria and viruses each have a specific molecular "fingerprint" that spurs the body to counterattack by producing a specific antibody. In 1975 two British researchers discovered a way to produce antibodies in the laboratory with a precision impossible before. By fusing an antibody-producing cell with a cancer cell, they produced a hybrid that can live in a test tube, continuously churning out absolutely pure monoclonal antibodies.

This revolutionary technique has already spawned a host of small venture-capital firms, such as Hybritech and Centocor. But the big hospital-supply companies such as Abbott, J&J and Becton, Dickinson have a major stake, too. Abbott, which has the most broad-based clinical diagnostic business today, plans to introduce monoclonal versions of its existing tests for hepatitis and thyroid malfunction within a year. Abbott also has the biggest share of the current $40 million market for tests that monitor cancer therapy.

The glittering ring that everyone is grabbing for, though, is a test that can *detect* cancer much earlier. Researchers at Abbott and other companies are trying to find an antibody that would home in only on cancer cells. It could be tagged with a tracer that would let physicians know where malignancies are hiding. Conceivably, the antibody could also carry a toxin only to cancer cells—a "magic bullet" cure.

Dr. Robert Evans, a young scientist at the Memorial Sloan-Kettering Cancer Center, is using a remarkable piece of Becton, Dickinson hardware to conduct his basic research on human white cells. The machine runs the cells in a minute stream of water one by one through a laser beam, at up to 5,000 a second, analyzing and sorting them so that Evans can study subpopulations of cells that were previously impossible to tell apart. It's like running a haystack through a machine to pick out the needle. So precise is the cell-sorter that at Becton, Dickinson's lab in California, researchers have even noticed changes in the cells of mice that have been flown cross-country. "We're studying about the fundamental defense mechanisms of all animal life," says Bernard Shoor, head of BD's monoclonal research.

Estimates of the commercial potential for monoclonals run into the billions of dollars. No big payoff will come until at least the second half of this decade or maybe later, but the hospital-supply companies are betting millions of dollars to stay in the forefront of the race. It's a long way from bedpans. ■

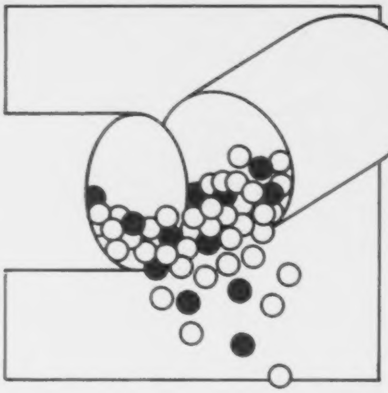
Health care

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Shaklee	36.8%	1	28.1%	0.2	21.3%	2	24.9%	5.4%	28.5%	4	30.7%	2
Servicemaster Inds	35.5	2	36.4	0.0	36.8	1	36.5	3.5	24.2	5	27.1	3
Humana	26.0	3	34.9	2.1	11.8	11	10.4	6.9	40.8	2	39.3	1
Abbott Laboratories	22.5	4	23.1	0.2	18.9	4	17.9	10.5	17.1	8	21.8	7
Bausch & Lomb	20.7	5	15.4	0.1	13.8	5	16.9	6.3	12.5	13	21.7	8
Johnson & Johnson	19.4	6	17.7	0.0	16.9	3	18.8	7.7	16.6	9	14.5	12
Natl Medical Entrprs	19.2	7	19.3	0.7	11.9	12	10.0	6.0	42.7	1	27.1	4
Hospital Corp of Am	19.1	8	19.4	1.4	9.1	13	9.5	5.7	28.8	3	23.8	6
Mallinckrodt	18.5	9	15.4	0.2	13.0	6	14.0	8.1	15.1	12	15.6	10
Amer Medical Intl	17.5	10	19.2	1.1	15.4	10	10.7	5.6	23.9	6	25.4	5
Baxter Travenol Labs	17.4	11	16.4	0.3	13.1	7	13.4	9.5	20.2	7	20.8	9
Amer Hospital Supply	15.2	12	14.5	0.2	12.6	8	12.8	5.0	15.8	10	15.2	11
Becton, Dickinson	14.6	13	14.9	0.2	13.1	9	12.4	7.1	15.4	11	12.0	13
Industry medians	**19.2**		**19.2**	**0.2**	**13.1**		**13.4**	**6.3**	**20.2**		**21.8**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.

Will the Food & Drug Administration ever get its act together? Under its new commissioner, it may have the best chance in a long time.



Drugs

By Pamela Sherrid

IT USED TO BE THAT you couldn't even get in to see the head of the Food & Drug Administration," recalls the chief executive at a big health care company. But times have changed. Dr. Arthur Hull Hayes Jr., the ex-Pennsylvania State University medical school professor who is FDA Commissioner in the Reagan Administration, is one bureaucrat who listens as well as talks. Hayes is determined to speed up the approval procedures, which now hold important new drugs off the U.S. market for an average 21 months. And despite Naderites' derisive claim that his method is "totally naive," Hayes thinks that a voluntary approach is the best way to get the food industry to label for salt content.

What manner of bureaucrat is Hayes? FORBES dropped in on him recently to see how his current campaign to get the FDA's act together is coming along.

One of your biggest initiatives is to speed up the drug approval process. How can you achieve that without lowering standards?

Hayes: I'm not going to compromise our mandate to make sure drugs are safe and effective. But there is no question that the efficiency of drug reviews has been increasing and can be increased further. It's not just a question of working harder. It involves talking to industry in a timely fashion so that you don't have a big holdup while you're waiting for one piece of data. And it means letting industry know what we expect.

Have there already been changes in the rules on, say, human testing?

Hayes: Over the last several months we have issued a number of guidelines, so everyone studying different kinds of drugs is working from the same scientific base. For example, what is it you need in order to show that an antihypertensive drug really does lower blood pressure? What do you have to show to demonstrate that an antibiotic or anti-anginal drug works? In the coming months there will be some significant changes in our policies and, where necessary, in our regulations.

What, specifically?

Hayes: One area involves accepting foreign data. In the case of one recently approved drug, Timolol, the only study for its use in preventing heart attacks was Norwegian. Although that drug has been studied thoroughly in America, it was for the treatment of hypertension. We have traditionally liked to see some studies, not necessarily large control studies, in the American population to take into consideration differences in ethnic backgrounds, dietary habits and the like. But foreign data may play an increasingly important role in the FDA's decision-making.

FDA Commissioner Hayes
A modest deregulator.

Another area is, what sort of data do we need routinely on a new drug application? Do we need all the case reports, all the tabulated information? Obviously, some changes here could greatly decrease the paperwork. We have also been looking at [improving] the appeals process.

When will these reforms take effect?

Hayes: The recommendations will be completed by the middle of March. There probably will be staggered times of implementation. Some changes may require changes in the law; some will be changes in the regulations. Some of it is policy that I can change myself, like foreign test data. But when you talk about appeals procedures and the submission of data, that, in general, will require changing regulations.

I have heard that the FDA has a terrible staffing problem. That, for example, if scientists could get their reports typed more quickly, the whole drug approval process would move right along.

Hayes: There's no question that in the Bureau of Drugs there are terrific pressures right now. We have a mandate to look at the efficacy and safety of *every* over-the-counter ingredient. We are under court order to finish by 1984 a retroactive review of every prescription drug approved between 1938 and 1962. Add to that new drug applications and supplemental applications.

All the same, the list of 21 new drugs approved so far this year is excellent. It includes a large number of drugs that are really very different, not "me toos," not generic copies. Timolol, for instance. Or calcium antagonists for heart disease that are different pharmacologically than anything we have had in the past. Drugs like Captopril, which works as an antihypertensive. New ulcer drugs that work by a coating effect rather than by an antisecretory effect. I think the record is rather good. And I think it will get better.

The time required for licensing and approval of new drugs is fostering new legislation that would extend patent protection for drug companies. What's your view of that?

Hayes: I can't speak to the specific economics, but I'm in favor of some form of patent restoration. It makes eminent sense to me that, if a certain degree of time is lost because of necessary testing of drugs or medical devices, then you have to allow the companies to have that time back if you expect them to create new drugs that require expensive R&D. The vast majority of new drugs in this country are developed by drug companies, and to deny them an equitable return doesn't make sense.

Switching away from the approval of drugs to another area of your responsibilities: what we eat. What's the philosophy behind your current approach to the regulation of salt in our food?

Hayes: I start with the scientific premise that there is a link between sodium and hypertension. I don't think anybody questions that. So my approach is twofold: One, we would like to see sodium reduced in foods, so there is a wider choice in grocery stores as well as in restaurants. And second, we would like to see labeling of foods so people will know where the sodium is and where it isn't. I'm not about to say that if this whole country went on a low-sodium diet, nobody would get hypertension. But would it decrease the incidence below the 60 million today? I personally think it would. Neither am I suggesting that only low-sodium food be put out there—I'm not sure you can make a dill pickle that doesn't have sodium.

But I do think people ought to know how much salt there is in a pickle so that they can know how the pickle fits into their overall planning on salt. Or how the bread fits in, or the canned beans or whatever else.

Why did you adopt a voluntary approach in doing that?

Hayes: I believed the most efficient way to get that done was to go to industry and ask them what they could do and how fast they could do it. I think the results are already quite startling. For example, when we started this a few months ago, only 13% of the processed foods in this country were labeled for sodium. Probably by March of this year it will be 40% to 50%. There is no way, if I had started writing regulations to go through all of the administrative processes, court challenges and so on, that within that period of months we could have made that gain. No way. In fact, I'm not sure you could do that by regulation in a couple of years.

Don't misunderstand me. We're not just going to let anybody do whatever they want. We're planning to publish some guidelines, some uniform definition of terms, like "low sodium," "medium sodium" and "no added salt."

Has anyone in industry simply told you that they are not going to cooperate with this approach? After all, over half haven't yet complied.

Hayes: Just because only half have labeled so far doesn't mean that the other half have walked away or are not interested. Will there ever be 100% compliance? I rather doubt it. I don't think there would be 100% compliance even if you hired tens of thousands of policemen and inspectors to go out and check every can. The idea that regulation or legislation means that everything happens and happens quickly is fallacious. It just isn't the real world. ■

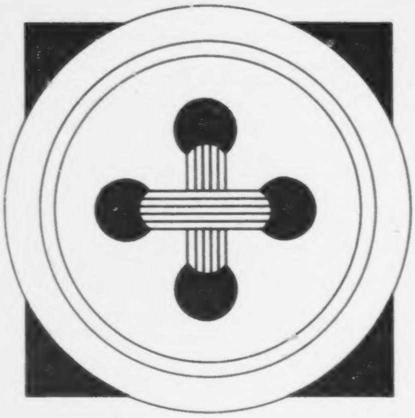
Drugs

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
SmithKline	36.4%	**1**	35.8%	0.1	32.2%	**2**	31.8%	18.1%	21.3%	**1**	29.4%	**1**
American Home Products	33.0	**2**	32.8	0.0	32.7	**1**	33.0	11.9	10.9	**11**	12.2	**5**
Merck	24.7	**3**	21.6	0.1	19.6	**3**	21.3	13.9	12.3	**7**	12.0	**6**
Bristol-Myers	22.2	**4**	21.7	0.1	20.2	**6**	20.4	8.6	11.9	**9**	13.6	**4**
Schering-Plough	21.9	**5**	15.1	0.1	13.7	**4**	21.0	10.3	15.0	**3**	10.8	**8**
Eli Lilly	21.5	**6**	20.8	0.0	19.4	**5**	20.8	13.4	14.6	**4**	11.1	**7**
Upjohn	21.3	**7**	18.2	0.4	13.0	**7**	15.5	8.3	14.6	**5**	16.1	**2**
Pfizer	17.0	**8**	13.2	0.4	10.7	**9**	13.1	6.5	12.4	**6**	9.5	**9**
Sterling Drug	15.9	**9**	15.1	0.1	13.3	**8**	14.3	6.7	11.0	**10**	6.1	**10**
Squibb	14.0	**10**	11.5	0.4	9.2	**11**	10.9	6.5	9.4	**14**	5.2	**11**
A H Robins	13.2	**11**	9.9	0.1	9.4	**10**	11.4	6.2	12.1	**8**	3.2	**12**
G D Searle	13.2	**12**	15.6	0.4	13.4	**12**	10.4	8.9	9.9	**13**	−2.1	**14**
Warner-Lambert	12.0	**13**	0.7	0.4	1.5	**13**	9.3	0.3	10.2	**12**	−0.8	**13**
Richardson-Vicks	**		18.4	0.0	18.6		**	7.3	16.3‡‡	**2**	15.2‡‡	**3**
Industry medians	**21.3**		**16.9**	**0.1**	**13.6**		**15.5**	**8.5**	**12.2**		**11.0**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
‡‡Three-year growth. **Not available; not ranked.

Shaken out and consolidated, apparel manufacturers look a lot leaner and meaner these days. And even Wall Street agrees.



Apparel

By John A. Byrne

SILVER LINER NOTES on recessions: "When the husband is laid off, the first thing the wife does is buy him a tie," laughs Philip Lamoureux, president of Warnaco, the big Connecticut-based maker of such branded apparel as Hathaway shirts.

Lamoureux' little joke is important because, except for consolation ties, the theory is that recessions always hit the garment industry hard. Everybody still has to eat, but anyone can put off buying that new suit.

So it may be surprising that thus far, U.S. consumers have not done that. In fact, last year was a good one for the industry, and a recent Kurt Salmon Associates survey of 68 industry executives forecasts an average 8% unit gain this year. Some lines—especially high-price and high-prestige ones—are booming. Advance orders for spring are running up to 20% ahead of 1981, recession or no.

Take venerable Hart Schaffner & Marx, for example. Unit sales in 1981 spurted 13% ahead of 1980, says CEO Jerome Gore, and dollar sales were up 20%. Gore is confidently looking forward to a very good year in 1982. "Our customer is the business and professional man," Gore notes. "He's not affected by recession as much. He still gets raises and he won't get laid off."

Or take Lawrence Leeds Jr., chairman and president of Manhattan Industries, which makes men's, women's and children's apparel. Leeds just closed out the best year in his history—sales up over 15%, to an estimated $370 million. His bookings for the spring are 20% ahead of a year ago.

Well, that's the high-priced stuff. That phenomenon now runs through retailing from end to end, even in supermarkets *(see p. 224)*. What about the rest of this industry, which was a basket case for years?

Cluett, Peabody's New York showroom
The best defense is a good name.

It's a different apparel business today, shaken out, consolidated and taken over by better managers. True, it could be badly hurt in a severe recession, but the growing group of large, diversified apparel makers who stitch well-known labels into quality garments are anything but depressed over prospects for 1982.

"In recessionary periods, the apparel industry doesn't compete for the big dollar," says Warnaco CEO James C. Walker. "Companies with major brands come out even better because retailers cut peripheral brands and put their money behind the major labels."

So, despite the recession, or maybe partly because of it, retail sales of apparel and footwear last year rose to an estimated $115.5 billion from $105.2 billion in 1980, and for the first time in over two decades the industry seems likely to improve its 6% share of the disposable dollar.

The increasingly obvious advantages of brand-name identification are prompting more concerns to jump onto the quality-label bandwagon. Oxford Industries, a major private-label manufacturer painfully reliant on the fortunes of Sears and J.C. Penney, has reduced its share of sales to these two customers to 30% from 55% and switched the emphasis to designer and brand-name clothing. Even Levi Strauss & Co. and Blue Bell, industry leaders whose earnings last year were dampened by foreign operations and currency losses, are moving aggressively in this direction as the growth in their jeans business fades.

High interest rates have imposed a discipline on the approach to inventories—still a big problem. Result: Clean pipelines now exist from fiber through fabric, garment and retail. Some companies now have their own offshore plants as a defense against imports, which account for over 20% of U.S. sales. They stitch and sew a wider range of apparel, making them less susceptible to fashion whims. "The whole industry handles fashion differently than it did ten years ago," says Warnaco's Walker, "when there used to be high-fashion swings and everybody was shooting dice."

If many apparel makers are bullish on themselves these days, so is Wall Street—for the first time since the father-and-son warfare between W. Maxey Jarman and son Franklin almost brought down Genesco in the early 1970s and frightened The Street badly. "There were times in the 1970s when apparel analysts came close to being an endangered species," says Henry Henley Jr., chairman of Cluett, Peabody & Co. No more. "All these things they're doing—less speculation, tighter inventory control—give investors confidence in what is still a highly volatile business," says Goldman, Sachs' apparel analyst Jay Meltzer. After all, 1981 was the year Wall Street lowered most industry earnings estimates mercilessly, but apparel stocks in general held up well.

In fact, Value Line, the investment advisory service, has ranked apparel among the top dozen of over 90 industries it follows for potential stock appreciation this year, and among the top quarter for investment desirability. And here's a real straw in the wind: New York-based Liz Claiborne, Inc. *(see p. 286)*, a $115 million (sales) maker of women's sportswear, went public in June—the first apparel concern to do so in eight years. ■

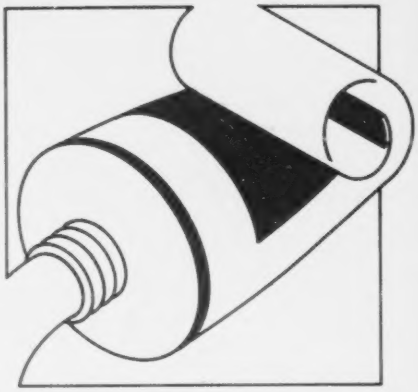
Apparel

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Clothing												
Levi Strauss	31.2%	1	22.3%	0.2	19.8%	1	27.2%	6.4%	21.0%	2	30.3%	3
Palm Beach	29.0	2	25.7	0.4	17.0	2	19.5	3.7	24.1	1	32.6	2
Blue Bell	20.9	3	11.6	0.2	10.3	3	18.0	3.3	16.9	3	17.7	6
VF	19.1	4	23.0	0.1	19.9	4	16.2	6.9	8.8	5	13.2	7
Warnaco	15.3	5	19.1	0.4	13.7	6	10.5	4.2	6.0	9	144.2	1
Interco	14.7	6	14.0	0.3	11.3	5	13.0	5.0	10.8	4	8.6	10
Hart Schaffner & Marx	10.0	7	11.1	0.2	9.9	7	8.8	3.3	6.3	8	10.0	8
Cluett, Peabody	9.9	8	10.1	0.5	8.0	8	8.4	2.6	4.5	10	19.7	5
Kellwood	9.0	9	4.1	0.8	4.4	9	7.2	0.5	8.0	6	0.5	11
Manhattan Industries	6.7	10	17.2	1.0	9.8	10	6.3	2.2	7.4	7	21.0	4
Phillips-Van Heusen	6.0	11	8.6	0.6	7.5	11	5.2	1.9	4.3	11	9.0	9
Jonathan Logan	def	12	def	0.3	def	12	def	def	4.0	12	P–D	12
Medians	**12.4**		**12.8**	**0.4**	**10.1**		**9.7**	**3.3**	**7.7**		**15.5**	
Textiles												
Cone Mills	16.6%	1	11.3%	0.1	10.6%	1	14.8%	5.4%	9.0%	7	19.4%	2
Reeves Brothers	15.5	2	17.5	0.2	14.8	2	12.9	6.0	9.8	3	17.6	4
Fieldcrest Mills	14.9	3	8.8	0.5	7.0	3	10.8	2.7	10.6	2	18.0	3
Riegel Textile	13.7	4	13.0	0.3	9.5	4	10.0	3.7	9.1	6	10.7	7
West Point-Pepperell	11.8	5	12.1	0.4	9.8	5	9.5	3.4	13.8	1	11.3	6
Collins & Aikman	11.0	6	9.4	0.3	7.3	6	9.1	2.7	9.7	4	5.3	10
Dan River	9.7	7	7.5	0.5	5.6	8	7.0	2.3	6.0	12	24.6	1
Cannon Mills	9.1	8	10.0	0.0	9.7	7	9.0	4.4	9.4	5	13.3	5
Burlington Inds	8.4	9	10.4	0.5	7.9	9	6.7	3.5	5.4	13	2.3	11
Graniteville	6.8	10	3.6	0.2	3.6	10	5.9	1.1	7.8	10	–7.5	14
Springs Mills	6.4	11	5.2	0.2	5.0	12	5.7	1.9	7.9	9	7.9	8
Avondale Mills	6.0	12	4.4	0.0	4.2	11	5.8	1.4	7.6	11	–2.7	12
J P Stevens	5.0	13	def	0.6	def	13	4.8	def	8.7	8	–3.2	13
M Lowenstein	3.1	14	10.6	0.5	8.8	14	4.1	2.6	3.2	14	6.0	9
United Merch & Mfrs	def	15	0.3	4.0	1.4	15	def	0.0	–7.3	15	P–D	15
Medians	**9.1**		**9.4**	**0.3**	**7.3**		**7.0**	**2.7**	**8.7**		**7.9**	
Shoes												
NIKE	101.4%†	1	58.6%	0.2	48.2%	1	84.4%†	6.3%	102.9%‡‡	1	110.4%‡‡	1
SCOA Industries	29.4	2	23.6	0.9	15.0	3	17.6	2.9	14.1	3	48.6	2
Melville	27.7	3	23.5	0.2	22.5	2	25.9	4.7	19.1	2	20.6	3
United States Shoe	19.2	4	22.4	0.3	17.8	4	14.9	5.4	12.5	4	17.3	4
Brown Group	15.7	5	17.3	0.3	14.1	5	12.7	4.0	9.4	5	15.3	5
Genesco	def	6	17.8	1.7	7.5	6	def	1.9	–6.0	6	D–D	6
Medians	**23.5**		**23.0**	**0.3**	**16.4**		**16.3**	**4.4**	**13.3**		**19.0**	
Industry medians	**11.0**		**11.3**	**0.3**	**9.7**		**9.1**	**3.3**	**8.8**		**13.2**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
†Four-year average. ‡‡Three-year growth. P-D: profit to deficit. D-D: deficit to deficit. def: deficit.

Selling shampoo is a $1.2 billion-a-year business with 5% growth. Products are largely identical, so it's a marketing man's dream—or nightmare.



Toiletries and cosmetics

By Richard Greene and Barbara Rudolph

IN THE WORLD of health and beauty products there is no larger, more hotly contested area than hair care. The total market accounts for about $1.2 billion in annual retail sales, and unit growth is an attractive 5% per year. No wonder there are scores of products on the shelves along with regular costly new entries. Even giants like Procter & Gamble and Gillette have trouble avoiding the frizzies.

Consider the shampoo business, which accounts for about half of total hair-care sales. In May 1980, for example, P&G introduced Pert, a green shampoo that promises "bounce." Its packaging is unique: short squat containers contemptuously dubbed "spacehogs" because they tend to leave little room on a shelf for anything else. That, of course, was the idea.

P&G reportedly spent in the neighborhood of $50 million to launch Pert, combining an intense advertising campaign with tens of millions of giveaways. The goal was said to be 10% of the market, or $120 million in annual sales. Pert, however, now has 6% of the shampoo market. That's clearly a respectable figure, but just as clearly no success.

The problem? "I'll tell you why Pert didn't sell," says a competing executive. "The green color and the packaging made it look more like a toilet-bowl cleaner than a shampoo."

That may sound silly, but in the world of hair care—particularly shampoos—perception of a product is what counts. Basically, all shampoos *are* alike. Even people at firms that make them will tell you that—off the record. There have been no major improvements in nearly a decade.

Indeed, that's one of the reasons the shampoo business is so alluring. It's big, relatively fast growing and a play for the ad man. When a consumer tries a new shampoo, in fact, he drops his old product without hesitation. "In short," says Jack Salzman of Smith Barney, "shampoo can be a marketer's dream—or nightmare."

One classic nightmare came to Gillette, with its Earthborn shampoo. Introduced in 1974, Earthborn was one of the first shampoos to offer balanced pH. Its acidity, allegedly, is less than that of other brands—a pitch aimed at folks who have been washing more and enjoying it less because of worries about hair damage.

Earthborn quickly grabbed a solid 8% of the market. But the competition soon caught on. Other brands proclaimed that they, too, were pH-balanced. The next thing Gillette knew, Earthborn was just another fish in the sea, with less than 1% of the

Toiletries & cosmetics

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Avon Products	30.8%	1	25.9%	0.0	24.5%	1	30.0%	9.0%	12.9%	5	10.5%	6
Intl Flavors & Frag	22.5	2	16.5	0.0	15.7	2	21.0	11.6	14.1	3	14.2	3
Chesebrough-Pond's	21.1	3	22.6	0.3	17.7	3	17.1	7.5	15.8	2	13.7	4
Revlon	20.7	4	14.7	0.4	11.6	4	17.0	7.5	22.2	1	16.3	2
Procter & Gamble	19.5	5	18.6	0.2	14.2	5	15.1	6.0	13.5	4	12.0	5
Kimberly-Clark	19.0	6	15.4	0.2	11.9	6	14.4	7.1	11.0	8	16.7	1
Gillette	16.8	7	12.6	0.4	9.7	7	12.7	3.8	10.4	9	4.0	8
Colgate-Palmolive	14.1	8	13.2	0.2	10.8	8	12.2	3.2	12.1	7	4.6	7
American Cyanamid	12.7	9	12.5	0.4	9.6	9	9.7	4.9	12.3	6	4.0	8
Industry medians	**19.5**		**15.4**	**0.2**	**11.9**		**15.1**	**7.1**	**12.9**		**12.0**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.

market by the middle of 1981.

The company is trying again, however, with its newest entry, Silkience. The name, a Madison Avenue wonder, is a combination of the words "silk" and "science." Get it? Use Silkience and make your hair silky through the wonders of modern science. Television ads play on this theme with ultraviolet photographs of hair reacting to the product. Right now, Silkience has an impressive 5% of the shampoo market. But the folks at Gillette must be thinking nervously about the similar quick success of Earthborn. It's a rough business.

That's why companies in the hair-care field are desperate to find other, less competitive areas. As a result, they have brought us hair conditioners. The sales concept is simple: You wash your hair to get rid of dirt. But that takes out its body. So, the conditioner puts the body back in. Consumers now pay some $500 million a year for this luxury, and there's plenty of room for growth. Only about 60% of women and 20% of men ever use hair conditioners. Gillette's Tame once dominated the market, but now the big three are Revlon's Flex, Johnson's Agree and Gillette's Silkience conditioner. Beyond shampoos and conditioners, of course, there is a whole range of other products. There's also the $450 million hair-coloring market, dominated by mighty Clairol, a division of Bristol-Myers. Then there are the sprays, grooms, dandruff treatments and other miscellaneous items—all of which add up to roughly another $300 million in yearly sales.

But even as Procter & Gamble test markets its new, cheap Ivory shampoo and Revlon readies another upmarket product, there are signs of trouble ahead. As the market has grown, supermarkets have gladly given hair-care products increasing amounts of shelf space. But now, a number of major chains are planning to call a halt to the inexorable march of shampoos toward the frozen foods section. That could produce a squeeze on shelf space and a resulting competitive scramble that will give even the toughest marketers gray hair. ■

All smoke, no fire

Not only do people get upset when you kill the goose that laid the golden egg, they get scared when you go anywhere near it. So it is with the tobacco industry's fear of Uncle Sam's proposed new tax on tobacco products.

With the Reagan Administration in desperate need of revenues, it was only a matter of time until it got around to cigarettes. While some state taxes have risen, the industry has not had a federal tax rise since 1951, when the tax per pack was set at the current 8 cents.

A bill in the Senate Finance Committee, which would double that excise tax to 16 cents, makes cigarette company executives chain-smoke. But it may be they don't have much to worry about. The additional 8 cents per se isn't the problem. Manufacturers already raise prices every six months or so. It would be—and most likely will be—an easy enough proposition to raise prices a little more, over about a year, to take the tax into account. In the meantime, by 1984 the government estimates that it would be taking some $1.8 billion in additional revenues.

What really worries the industry is the principle of large tax increases. "We are already overtaxed," says Pam Jones, a spokesman for the Tobacco Institute, the industry trade group. "There's no way to know what effect it will have." The British experience is the worst the industry can imagine. Last year's huge tax increase there from 43 pence per packet to 58 pence depressed total cigarette sales by something like 12%. But according to Peter Enderlin of Smith Barney, "The price elasticity of demand for cigarettes is very low. Generally a 1% increase in price will reduce demand by 0.4%, all other things being equal." Using those calculations, the proposed tax would at most reduce demand by 4% or so. That's not deadly in an industry where operating profit margins run as high as 25%. And, of course, since a fair amount of the industry is highly diversified, the effect on overall profits might be hard to discern. Even Philip Morris, the least diversified of the group, wouldn't be hurt much. Its unit growth should more than make up for the slight dislocation of a new excise tax.

Maybe cigarette company executives just like to worry. It's good for business.—**R.G. and B.R.**

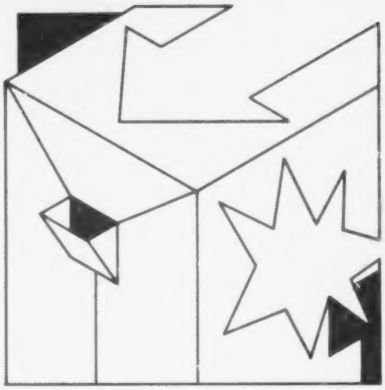
Tobacco

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Loews	24.6%	1	23.6%	0.5	12.0%	4	11.5%	5.4%	20.1%	2	29.6%	1
Philip Morris	23.7	2	23.6	0.8	13.3	3	13.6	6.3	21.0	1	20.0	2
R J Reynolds Inds	20.6	3	20.3	0.3	14.1	1	14.7	6.4	15.4	3	10.3	4
American Brands	20.4	4	20.2	0.3	14.6	2	14.5	5.5	10.3	4	16.6	3
Culbro	14.5	5	81.6	1.4	37.7	5	9.3	13.9	5.3	5	6.4	5
Industry medians	**20.6**		**23.6**	**0.5**	**14.1**		**13.6**	**6.3**	**15.4**		**16.6**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.

Next time you are in the supermarket, look at all those big plastic soft-drink bottles. So why are packaging manufacturers so discouraged?

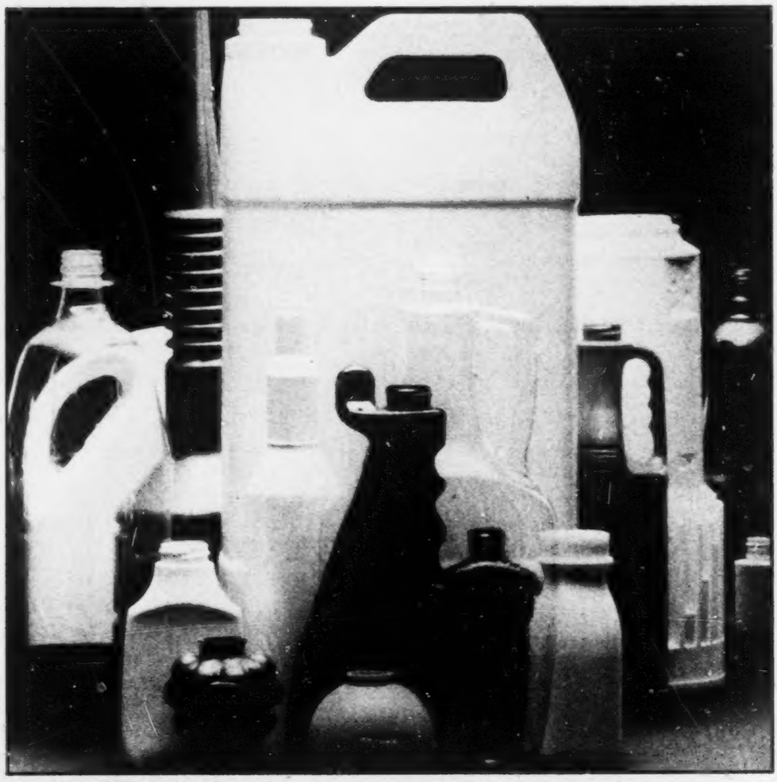


Packaging

By Jean A. Briggs

PLASTIC BOTTLES are more expensive to produce than glass or metal containers. They don't protect their contents as well or as long, and they impart a slight flavor or odor. What's more, they're extremely difficult to recycle. Are they then a flop? On the contrary, they are a big success. They have captured a large share of the packaging market because the public seems to prefer them: Plastic is lighter and unbreakable.

Long ago, of course, plastic displaced glass for shampoos and detergents; it also displaced cans for many industrial chemicals and cleaners. But plastic bottles didn't really make inroads into the 60-billion-unit-a-year beverage market until about 1979. Now they account for 10% to 15% of all beverage packaging, and sales have been growing by 25% a year.



An array of plastic bottles
Consumers love them, but they are giving the industry fits.

Technology explains much of this success. In 1977 Du Pont perfected a new bottle material dubbed PET, short for polyester terephthalate. Unlike earlier plastic containers, it is able to protect carbonation longer, so it can be used for soft drinks.

That potential wasn't lost on the likes of Coca-Cola—or on the packaging industry. Continental Group, Dorsey Corp. and Owens-Illinois began building PET capacity. So did two outsiders: Amoco, the oil company, and Hoover Universal, a packaging and machinery maker.

By late 1980, facilities to produce some 3 billion PET bottles a year were in place, and demand had reached 2 billion units. In 1981 capacity had increased even more and demand was at 2.2 billion units. Two-liter plastic bottles are winning out over similar-size glass containers and even cans. Why lug a six-pack when you can carry one lightweight, unbreakable bottle instead?

The market could get even bigger. Manufacturers are studying the economics of one-liter and half-liter plastic containers. If the cost disadvantage isn't too great and the weight advantage isn't too slight, another capacity race will be on.

Even as it is changing the container market, however, plastic is making few packaging companies rich. "Dorsey came out of nowhere and gained the predominant market share," says industry analyst Arthur Stupay of Prescott Ball & Turben. But he points out that at the very time the Chattanooga-based company is doing well with plastic bottles, it has lost money and is suffering declining volume on traditional container lines. In September, for example, Dorsey closed a glass plant near Memphis, taking a 40-cent-per-share writeoff.

Owens-Illinois and Continental Group are in similar situations. Management at each company realized the potential of plastic bottles and moved to build capacity and market share rapidly. But these gains came in the face of declining volume and low profits in their older glass and metal container businesses. The new business simply cannibalized the old. (The one exception: O-I's successful plastic-jacketed glass bottle.)

A discouraging situation for the packaging manufacturers: Here's a technology they can neither ignore nor make money from. As a result, many of them are looking to cut back in the packaging business. American Can, for example, announced last March that it wanted to sell its forest products operations to raise money for new ventures. The timing was terrible, with the forest products industry in deep recession. It hasn't closed a deal yet, but the company's new direction is clear. For $140 million in cash and stocks, American is buying Gerald Tsai's Associated Madison Cos., a holding company with a major subsidiary in life insurance. "American Can will be a distribution and financial services company," says analyst Stupay. "The can business will still be there, but the company won't be pouring money into it."

At Continental Group, energy is the new slogan. The company acquired Florida Gas Co. in 1979, and is now exploring for oil and gas and operating a gas pipeline from the Texas-Mexico border to Florida. It is also planning a coal-slurry pipeline from Appalachia to the Southeast. Even Owens-Illinois is pruning its packaging business, selling off bits and pieces and looking for new areas. It recently announced a move into hospital management through a joint venture with the former head of Hospital Management Corp.

Other companies in the industry are closing down or selling capacity. Crown Cork & Seal has closed five of its production lines for two-piece cans. National Can has consolidated operations in both its metal and glass container businesses. And Anchor Hocking has sold off three marginal glass-container facilities. It's quite a paradox: America is the quintessential packaged society, but the people who make the packages can't make money at it. ■

A glimmer for glass

It's the elegance factor," says an executive at Jos. Schlitz Brewing Co. "A bottle looks nicer on the table than a can."

Especially if it's something like Michelob's sleek brown hourglass bottle or Löwenbräu's tall, green old-world look. Were it not for marketing decisions like that by such outfits as Anheuser-Busch, Miller Brewing, Schlitz and Adolph Coors, the glass industry would be a lot worse off than it is. The fact is, beer is keeping glass going.

Shipments of beer bottles have grown at a compound average annual rate of 8.5% over the past eight years, according to government statistics, while glass containers for soft drinks have declined at about 2.2% and were flat for food and toiletries. Beer bottles now account for over 35% of total glass container shipments as opposed to 20% in 1972.

The trend probably will continue. Some medium-priced beers are now being packaged in glass. Also, adds John Pedace, executive vice president of marketing at G. Heileman Brewing, squat little bottles are less expensive than cans.

Don't count cans out, though. Beer bottle shipments grew only 2% (not compounded) last year, while the use of beer *cans* grew 5%. So the glimmer of glass may someday fade for all but the premium beers, where the "elegance factor" remains crucial.—**J.A.B.**

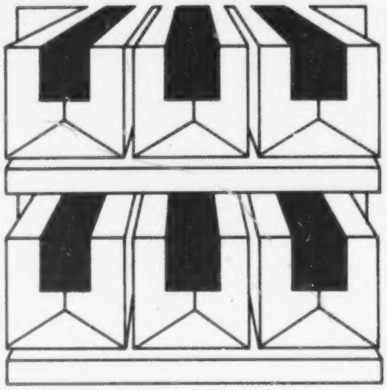
Packaging

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Sonoco Products	18.0%	**1**	19.2%	0.2	14.9%	**1**	14.9%	7.0%	15.2%	**4**	16.5%	**3**
Stone Container	16.2	**2**	20.6	0.5	12.4	**5**	10.1	5.8	11.8	**10**	9.6	**10**
Crown Cork & Seal	15.4	**3**	10.1	0.0	9.1	**2**	13.4	3.9	13.0	**6**	14.1	**5**
Ball Corp	15.3	**4**	14.7	0.8	8.7	**4**	10.3	3.3	16.3	**3**	14.1	**6**
Maryland Cup	14.9	**5**	15.5	0.4	11.1	**3**	10.5	4.7	16.7	**2**	16.7	**1**
Continental Group	13.9	**6**	17.4	0.5	11.0	**6**	9.9	5.4	9.2	**14**	14.7	**4**
National Can	12.9	**7**	10.8	0.4	7.9	**8**	9.2	2.3	12.7	**7**	9.0	**12**
Anchor Hocking	12.5	**8**	10.1	0.3	8.0	**7**	9.6	3.2	11.9	**9**	8.5	**13**
Dorsey	12.4	**9**	10.0	0.6	7.8	**10**	8.6	1.8	21.0	**1**	16.6	**2**
Owens-Illinois	11.6	**10**	12.6	0.5	8.4	**12**	8.0	4.0	10.6	**12**	9.9	**9**
Bemis	11.5	**11**	9.8	0.4	7.3	**11**	8.2	2.3	4.3	**16**	10.0	**8**
American Can	10.9	**12**	7.2	0.5	5.0	**14**	7.6	1.6	10.9	**11**	11.5	**7**
Diamond Intl	10.4	**13**	6.8	0.2	5.9	**9**	9.0	2.8	10.1	**13**	–0.5	**15**
Kerr Glass Mfg	10.2	**14**	9.8	0.6	7.2	**13**	7.9	2.6	12.4	**8**	9.6	**11**
Brockway Glass	9.3	**15**	8.3	0.5	6.0	**15**	7.4	2.3	14.2	**5**	1.7	**14**
Saxon Industries	4.7	**16**	2.6	1.5	3.8	**16**	4.5	0.4	9.0	**15**	–0.6	**16**
Industry medians	**12.5**		**10.1**	**0.5**	**8.0**		**9.1**	**3.0**	**12.2**		**10.0**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.

Two things are growing in the food business: the market share of large wholesale suppliers and the costs of running a warehouse.



Wholesalers

By Steven Flax

FOOD PRICE INFLATION slowed dramatically last year, to less than 5% in the latter six months. Prices actually declined for produce and meat. That spelled good news for supermarket shoppers but not necessarily good news for supermarket suppliers—wholesalers who supply food, nonfood products and vital operating services to the U.S.' 112,600 independent grocers.

Food wholesalers, such as Seattle-based Associated Grocers Inc., saw their costs of refrigeration, rents and labor—Teamster-unionized Associated pays an unskilled warehouseman over $20 an hour including fringes—continue to soar.

It was a tough business. Because of the high interest rates, small addi-

Wholesalers

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Food distributors												
Super Valu Stores	28.9%	**1**	26.1%	0.5	18.6%	**1**	18.7%	1.3%	16.6%	**5**	25.6%	**1**
Farm House Foods	19.9	**2**	17.3	1.8	3.7	**10**	7.7	0.3	36.5	**1**	16.5	**4**
Malone & Hyde	18.1	**3**	12.1	0.6	9.2	**2**	15.3	0.9	17.1	**4**	12.2	**6**
Sysco	18.0	**4**	20.1	0.4	15.4	**3**	13.6	2.0	17.9	**2**	17.6	**3**
Fleming Companies	17.9	**5**	18.4	0.7	12.7	**5**	12.6	0.8	14.1	**8**	11.1	**7**
Nash Finch	15.4	**6**	13.9	0.4	11.1	**4**	12.6	1.0	13.6	**9**	8.2	**9**
Flickinger	15.1	**7**	16.3	0.3	12.9	**6**	12.5	0.8	15.4	**6**	13.2	**5**
Wetterau	14.7	**8**	8.1	0.5	6.2	**7**	11.5	0.5	13.0	**10**	5.8	**10**
Super Food Services	13.7	**9**	8.6	1.0	7.8	**8**	9.6	0.2	17.4	**3**	10.0	**8**
Pac Gamble Robinson	11.3	**10**	10.1	0.7	7.4	**9**	8.8	0.7	8.9	**13**	2.4	**11**
Di Giorgio	10.3	**11**	9.2	0.8	6.3	**11**	7.4	1.1	10.2	**12**	20.2	**2**
CFS Continental	9.2	**12**	13.5	0.6	9.2	**12**	7.0	1.2	15.2	**7**	–0.4	**12**
Scot Lad Foods	1.9	**13**	11.8	1.1	8.2	**13**	1.9	0.5	2.7	**14**	P–D	**13**
Cal-Maine Foods	def	**14**	def	1.6	def	**14**	1.6	def	10.3	**11**	P–D	**13**
Medians	**14.9**		**12.8**	**0.7**	**8.7**		**10.6**	**0.8**	**14.7**		**10.6**	
Other wholesalers												
Phibro	36.0%	**1**	25.3%	0.4	19.6%	**1**	28.5%	1.2%	33.4%	**1**	27.9%	**2**
Std Comml Tobacco	23.6	**2**	21.0	0.4	17.7	**2**	19.4	2.1	33.2	**2**	23.5	**3**
Universal Leaf	18.2	**3**	18.7	0.4	13.2	**3**	16.4	2.9	8.1	**9**	16.4	**4**
Univar	18.0	**4**	23.9	1.0	13.6	**7**	10.9	2.3	11.3	**6**	14.4	**6**
Foremost-McKesson	17.6	**5**	16.1	0.5	11.3	**9**	10.8	1.7	9.5	**8**	10.8	**7**
Lowe's Companies	16.2	**6**	10.1	0.3	8.8	**5**	12.8	1.9	14.8	**4**	7.2	**9**
Amer Hospital Supply	15.2	**7**	14.5	0.2	12.6	**4**	12.8	5.0	15.8	**3**	15.2	**5**
Bergen Brunswig	13.8	**8**	21.2	0.4	17.4	**6**	11.1	1.4	14.3	**5**	63.5	**1**
Dibrell Brothers	12.8	**9**	14.7	0.3	11.2	**8**	10.8	1.6	10.5	**7**	10.2	**8**
Medians	**17.6**		**18.7**	**0.4**	**13.2**		**12.8**	**1.9**	**14.3**		**15.2**	
Industry medians	**15.4**		**14.7**	**0.5**	**11.2**		**11.5**	**1.2**	**14.3**		**12.2**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
P-D: profit to deficit. def: deficit.

tions to wholesalers' warehouses now cost more than the warehouse did. Many independent grocers, their cash flows sharply cut by cost-conscious shoppers, turned to their wholesalers for financing. Super Valu Stores Inc. has close to $100 million in financing outstanding to its retailers, despite the fact that real sales growth in its territories has been running at only 0.3% a year. Other large wholesalers—hit by massive customer defaults—found themselves partners in failing retail businesses.

Joe Hyde, president of Memphis-based Malone & Hyde, Inc., summed up the industry's exasperation: "We've never had 20% interest rates with a deflation of food prices."

But there is a compensating factor for such big wholesalers as Fleming Cos., Super Valu and Malone & Hyde. It's called consolidation. Six years ago there were 1,470 wholesalers in the country; today there are about 1,240. As the costs have risen, much of those wholesalers' sales growth has come from small competitors' quitting and leaving them their business.

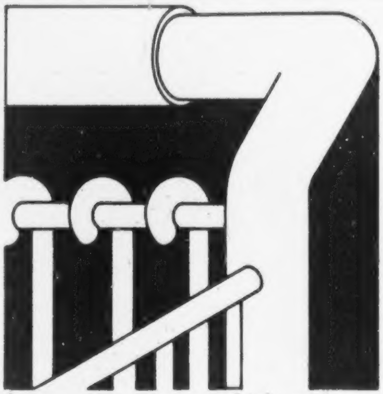
This consolidation wave reflects changes occurring at the retail level, where chains such as A&P have pulled out and independents took over the stores. Ultimately this increases the demand for wholesalers' services.

Today the big wholesalers supply their client stores with lease guarantees, merchandising, advertising, personnel training, financial statements, bill paying and payroll accounting. For small chains, the wholesalers also provide insurance and real estate development, market analyses and designs for new stores. They maintain price files for scanner systems and help with labor scheduling. Such services, which are often provided at cost, help wholesalers' clients compete against the large chain stores. This means increased volumes and profitability for supermarket suppliers, as well as more loyalty from their clients.

Clearly, there is change and growth in wholesaling for the more powerful players. But much still depends on the territory. In some regions, such as the Northeast, wholesalers will be slugging it out in a no-growth market. Even in the Northwest there is uncertain growth. Associated Grocers' market share increased 1% in 1981, but the market shrank 2.4%. And that was before neighboring Boeing started recent layoffs. Meanwhile, in Fleming Cos.' southwestern market territory, vibrant growth is expected to continue.

The wholesalers who will survive face formidable capital expenditures—for huge mechanized warehouses and automated computer ordering. They must bend every effort to keep nonfood costs down. People always have to eat, but they don't have to buy what they eat from supermarkets whose prices reflect Teamster wages back in the warehouse. ■

You can't yet say that groceries have become a loss leader. But the big chains are acting as if that day were not far off.



Supermarkets

By Steven Flax

I SIT ON THE BOARD of Pacific Gas & Electric," says Peter Magowan, chief executive of Safeway Stores, the nation's largest supermarket chain, "and when I heard their proposed rate increases, I blanched."

Magowan will have plenty of other things to blanch about this year. The food business is as close to recession-proof as you can get; people have to eat, no matter what. The problem is something else: The supermarkets' historic strategy—maximize volume, slice the margins as thin as smoked salmon—is being turned against them with a vengeance.

The result is that those food margins, historically about 1%, are declining further. Overall supermarket margins in 1981, for example, were only 0.8%; on food alone, they were probably even lower.

That happened even though inflation in food was far less than expected. Early in 1981 the USDA forecasted an overall increase in food prices of 10% to 15%. For the first half of the year, producers' prices seemed to be bearing out the predictions. But in the last half, the rate slowed dramatically, to less than 5%. For some categories, produce and meat, for example, prices were actually lower than they had been the year before.

The reasons: oversupply caused by bumper grain harvests; competition from generic items, which are competing with national brands in many more categories; consumers trading down in the grocery store from beef to poultry and pork.

Upstream, the industry is taking full advantage. Buyers from the chains or the major wholesalers have gotten a lot more aggressive. They learned a lesson in buying for the chains' new "warehouse format" stores, where managers may stock only Heinz ketchup one week and Del Monte the next. The customers didn't mind as long as the price was right. So there is a lot more buying on a "deal only" basis. But what happens downstream? As new store openings have slowed because of high interest rates, the chains have had to scramble for market share largely on price alone, leading to ruinous price wars. In one Washington, D.C. area slugfest last year, Giant Food went into the red and Pantry Pride (formerly Food Fair) closed down 54 stores. Safeway's Magowan, one of the walking wounded from that Washington price war, admits that much of 1981 was spent "retaining sales at the expense of profits." Such a situation is terrific, if temporary, for the consumer. But it will be plenty unhealthy this year if, like Safeway, you have nearly 1,300 labor contracts tied to the CPI.

The answers? Almost all of them involve something other than food. Most major chains and independents will intensify their search for higher-margin nonfood items this year: auto supply departments and florists, for example, where gross margins can reach 50%. By the end of 1982 Safeway will have more than 300 pharmacies; a little over two years ago it had just ten. Paperback books, health and beauty aids and housewares all help.

The most far-reaching response, though, is the divergence between upscale specialty stores and bare-walls "warehouse" discounters—the same phenomenon that has already transformed department stores. While Grand Union pushes a $300 million remodeling of its larger stores, it is turning others into BASICS Food Warehouses. Safeway is converting many older stores that it might have abandoned into either discount Liquor Barns or upscale Farmer's Markets emphasizing gourmet items and fancy produce. Other chains have opened stores that are surprisingly luxurious *(see box)*.

Also crucial in getting through a tough 1982 will be the benefits of new technologies such as heat reclamation systems, energy-efficient lights, even wind deflectors on trucks. The most important will be the far more extensive use of scanners, those machines at the checkout that automatically "read" the product and price, tabulate the sale on the customer's receipt and report it to the inventory control in the computer's memory.

More progressive chains, such as Giant Food Inc. and Ralphs in Los Angeles, have already demonstrated that scanners can increase productivity at the checkout and reduce "shrink," loss of inventory through misrings or theft. Giant hopes to save 1% of gross sales per year—$15 million—through scanning. But new and unexpected benefits have developed as chains have become more familiar with scanners. Analyzing scanning data can help stores improve shelf allocation, determine the effectiveness of promotions, track sales of new items, measure cashiers' productivity and help with front-end scheduling. In fact, since scanning data amounts to instant market research, Giant has started selling its scanning information to national manufacturers outside the industry. Patrick Collins, president of Ralphs, says scanners enabled his company to try to turn over parking spaces much faster at stores where parking was scarce. Ralphs executives could prove with the scanning data at such stores that, like

Hash with panache

Why do the tour buses regularly stop at the huge (92,000-square-foot) new Byerly's store in the Minneapolis suburb of St. Louis Park? Like four other Byerly stores in the Twin City area, it's clearly a supermarket. But this is no ordinary supermarket.

The smell of refrigeration, for example, has been replaced by the aroma of baking bread, roasting ribs and bubbling soups. Gone are linoleum and fluorescent lights; every Byerly's is carpeted and bathed in indirect lighting. And it's clean—"cleaner," as one visitor put it, "than my living room."

Some of the groceries match the decor: octopus at $1.99 a pound, roast suckling pig at $125 or live lobsters at $6.45 a pound, selected from a saltwater tank. The in-store staff includes home economists, caterers and pastry chefs. After you finish your shopping, an underground conveyer belt whisks your groceries away, to be retrieved later at the drive-in loading station, and you can spend the rest of the day at Byerly's wine-tasting seminars or cooking lessons.

The key to Byerly's success, though, is that whether or not you are looking for live lobster or suckling pig, prices on more mundane items—apples, oranges, round steak or Rice Krispies—are competitive with the Safeway in the area. These standard grocery items make up about 43% of the St. Louis Park store's sales. Another 44% comes from departments with fat margins like meat, produce and deli, restaurant and bakery items. The other 13% comes from specialty shops, such as a gift gallery selling a $75,000 six-foot, gold-plated birdcage. Well over half of total sales are in higher-margined merchandise. So founder and President Don Byerly can pay for the carpet and chandeliers and still make net margins of up to twice as much as the industry as a whole.

Now 42, Byerly grew up steeped in the food business (his father, Russell Byerly, was president of Super Valu). "It sounds corny, but in the sixth grade when most kids wanted to be doctors or policemen, I wanted to be a grocer," he says.

Byerly opened his first store in 1968 when he was 28. The idea of the luxury supermarket goes back to high school days, when Byerly began his search for the perfect grocery store. Today his more than $100 million (sales) private company is pushing 25% annual growth in the slow-growing industry. He has done it by offering the shopper splash, panache and showmanship along with the milk and eggs.

Byerly's St. Louis Park, Minn. store
Shopping under the chandeliers.

An innovator from the start, Byerly had housewives look at his first store before it opened. They told him they hated being distracted by their children's pleas for candy at the checkout counter. So Byerly ignored the tempting high margins on those items and left his checkout counters bare.

Byerly's stores still stay in touch with customers through periodic surveys; when a recent one indicated interest in generics—not exactly in line with the supermarket's pricey image—no-name products showed up on the shelves just a week later.—**Ellen Spragins** stools at a bar, the number of parking spaces was the main determinant of sales volume.

On the horizon are some demographic changes favoring the industry. Between 1978 and 1990, 20.7 million new households will be established, an increase of 27%, and the prime 25-to-44-year-old age group will increase by 33%. Also good news is the fact that over 4 million babies will be born annually between 1985 and 1989. But none of these changes—equally opportune for all competitors—will make as much difference in the short run as CPI-tied labor increases and skyrocketing energy costs. For the next couple of years, in this industry founded on productivity, doing everything possible to increase that productivity further will barely be enough. ■

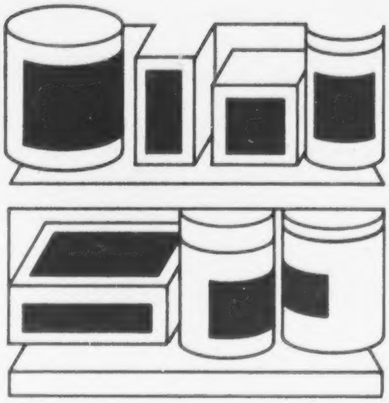
Supermarkets

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Major chains												
Albertson's	24.4%	**1**	21.5%	1.0	13.2%	**5**	13.7%	1.4%	19.7%	**2**	21.4%	**2**
Lucky Stores	24.2	**2**	19.8	0.9	11.7	**4**	14.9	1.3	15.5	**5**	11.7	**7**
Dillon Companies	24.1	**3**	25.7	0.5	16.7	**2**	18.0	1.7	18.8	**4**	16.9	**5**
Winn-Dixie Stores	20.6	**4**	19.7	0.2	17.3	**1**	18.0	1.6	14.6	**6**	11.6	**8**
Supermarkets General	20.4	**5**	18.0	1.3	10.3	**7**	10.5	0.9	10.3	**9**	27.4	**1**
American Stores	19.8	**6**	15.4	1.1	8.8	**3**	16.0	0.7	47.9	**1**	21.1	**3**
Southland	16.4	**7**	16.5	1.0	10.1	**8**	10.0	1.7	19.3	**3**	15.9	**6**
Kroger	15.3	**8**	15.3	0.5	10.5	**6**	10.6	0.9	13.3	**7**	19.0	**4**
Jewel Companies	13.7	**9**	18.8	0.7	10.5	**9**	8.7	1.8	9.2	**10**	10.3	**9**
Safeway Stores	13.4	**10**	10.2	1.0	6.9	**10**	8.6	0.7	10.9	**8**	3.7	**11**
Stop & Shop	12.2	**11**	11.4	1.3	8.1	**11**	7.6	0.7	9.1	**11**	6.3	**10**
Great Atl & Pac Tea	def	**12**	def	0.8	def	**12**	def	def	1.0	**12**	D–D	**12**
Medians	**18.1**		**17.3**	**1.0**	**10.4**		**10.6**	**1.1**	**14.0**		**13.8**	
Regional chains												
Food Town Stores	34.6%	**1**	32.1%	0.2	26.5%	**1**	28.1%	3.5%	31.5%	**2**	34.3%	**4**
Natl Convenience Strs	25.7	**2**	26.6	1.1	13.8	**5**	14.7	2.0	18.8	**7**	27.0	**7**
Big V Supermarkets	24.8	**3**	23.5	0.6	15.9	**3**	15.2	1.4	21.8	**3**	30.6	**5**
Circle K	24.0	**4**	25.6	1.0	14.5	**5**	14.7	2.4	19.2	**6**	20.3	**9**
Niagara Frontier Services	21.9	**5**	14.8	0.8	10.2	**4**	15.5	1.3	21.0	**5**	16.5	**12**
Cullum Companies	20.8	**6**	22.6	1.0	12.9	**8**	11.6	1.4	16.0	**9**	30.3	**6**
Weis Markets	20.8	**7**	20.1	0.0	20.1	**2**	20.8	4.9	13.6	**13**	16.6	**11**
Marsh Supermarkets	17.7	**8**	20.0	1.2	10.7	**13**	10.5	1.2	11.7	**20**	17.9	**10**
Hannaford Bros	17.5	**9**	21.3	1.5	10.4	**15**	10.1	1.2	12.7	**16**	11.8	**17**
Seaway Food Town	17.1	**10**	17.7	0.9	10.7	**12**	10.9	1.2	13.3	**14**	15.8	**13**
Fred Meyer	16.7	**11**	14.3	0.6	10.5	**10**	11.1	2.7	12.2	**17**	15.6	**14**
Pneumo	15.4	**12**	19.4	1.2	10.8	**11**	11.0	1.6	15.7	**10**	26.2	**8**
Ruddick	15.0	**13**	15.1	0.9	9.6	**16**	10.1	1.7	13.1	**15**	39.2	**2**
Giant Food	15.0	**14**	9.2	0.8	6.5	**18**	9.7	0.7	11.1	**21**	11.9	**16**
Penn Traffic	14.6	**15**	11.1	0.5	8.5	**8**	11.6	1.2	17.6	**8**	10.9	**18**
Waldbaum	14.2	**16**	13.6	0.9	8.9	**17**	9.7	0.8	14.1	**12**	14.8	**15**
Thriftimart	14.2	**17**	13.0	0.2	11.1	**7**	11.8	1.3	6.4	**23**	160.1	**1**
First Natl Supermkts	14.2†	**18**	13.2	1.8	8.6	**14**	10.2†	0.5	38.5‡	**1**	5.9‡	**21**
Godfrey	13.9	**19**	11.8	0.9	7.5	**19**	9.4	0.7	12.2	**17**	10.3	**19**
National Tea	12.6	**20**	9.2	1.1	6.5	**20**	8.5	0.7	–2.2	**27**	D–P	
Pueblo International	11.1	**21**	7.3	0.9	6.4	**22**	7.7	0.6	–8.6	**31**	D–P	
King Kullen Grocery	8.3	**22**	8.2	0.0	7.9	**21**	7.9	0.5	14.4	**11**	9.4	**20**
Arden Group	7.6	**23**	10.0	1.1	6.9	**24**	5.5	0.6	–3.9	**28**	D–P	
Fisher Foods	5.8	**24**	11.5	1.3	7.1	**25**	4.8	0.6	5.8	**25**	–16.4	**22**
Foodarama Supermkts	5.6	**25**	3.1	0.5	3.7	**23**	6.0	0.1	6.1	**24**	D–P	
Shopwell	5.0	**26**	5.2	1.5	4.6	**26**	4.4	0.2	8.6	**22**	D–P	
Munford	2.1	**27**	10.5	1.5	6.8	**27**	3.6	1.1	5.4	**26**	–29.0	**23**
Borman's	def	**28**	def	1.1	def	**28**	1.9	def	11.7	**19**	P–D	**24**
Pantry Pride	def	**29**	def	2.2	def	**30**	def	def	–4.6	**29**	P–D	**24**
Allied Supermarkets	def	**30**	NE	NE	19.4	**29**	def	0.7	–7.3	**30**	D–D	**26**
Bruno's	**		37.7	0.6	21.7		**	1.9	21.7‡‡	**4**	37.6‡‡	**3**
Medians	**14.4**		**13.2**	**0.9**	**9.6**		**10.1**	**1.2**	**12.7**		**15.7**	
Industry medians	**15.0**		**14.8**	**0.9**	**10.2**		**10.2**	**1.2**	**13.1**		**15.7**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
†Four-year average. ‡Four-year growth. ‡‡Three-year growth. P-D: profit to deficit. D-D: deficit to deficit.
D-P: deficit to profit; not ranked. def: deficit. **Not available; not ranked. NE: negative equity.

Looking like a department store while pricing like a discounter may seem like sleight of hand, but a dozen or so well-managed chains have gotten rich doing it. So rich that they're about to get some formidable competition.



General retailers

By Jane Carmichael

JUST ABOUT EVERYBODY who failed to differentiate themselves from K mart—W.T. Grant, Korvettes, Mammoth Mart—they're all dead," says retailing consultant Leo Shapiro. Put another way, there are only a couple of big, true discount chains left. The rest of the survivors are discounters at the market's high end: Target, Mervyn's, Caldor, Wal-Mart, Venture, Richway, Gold Circle, Bradlees. They have maintained an image of department-store-quality merchandise sold in attractive surroundings, but at discount prices, thus drawing in the more affluent bargain hunters who wouldn't be caught dead in K mart. No mean trick in the discount business, where you make money by keeping overhead low and volume high. But money these discounters have made: A successful one like Target or Mervyn's can return 15% on assets and 10% in operating margins, numbers almost unheard of in conventional retailing.

So it's not surprising that the success of these retailers is in bringing in new competition. But the quarter it's

Sam's song

If discounters at the high end of the market are setting the pace for retailing, Wal-Mart Stores is setting the pace for those retailers. The Bentonville, Ark.-based chain will report sales of about $2.5 billion in fiscal 1982 (ending Jan. 31), up from $1.6 billion last year. Taking into account only the revenues of the 330 stores in operation on Jan. 31 last year, sales grew 17%. The company, closely held by the family of Chairman Sam Walton, had an average return on equity over the last five years of 30.6%, and average earnings-per-share growth of 32.8%. Some 491 Wal-Mart stores now dot the south-central U.S. landscape, with the heaviest concentration in Missouri, Arkansas, Oklahoma and Texas.

How did Wal-Mart get so profitable? Retail consultant Alton Doody explains it in two words: gifted leadership. The most gifted has been silver-haired Sam Walton, now 63. In 1978 Walton named Jack Shewmaker, 43, a veteran retailer, as president. Shewmaker will undoubtedly call the shots after Walton steps aside, which may not be soon.

Walton and Shewmaker, assisted by a cadre of seasoned managers, have made some big changes in the last few years. Wal-Mart started in the early 1960s with bare tile floors and pipe racks and did not begin to revamp its image significantly until the mid-1970s. Such retailers as Target, Venture and K mart provided the examples that Wal-Mart sought to emulate. "These ingenious retailers," says Shewmaker, "came along and regraded to the level of quality demanded by customers." But they still managed to maintain lower prices than the department stores.

That was the trick, Walton and Shewmaker decided. In 1978 they sent top Wal-Mart executives crisscrossing the country, visiting the competition and taking notes. Then Wal-Mart built two prototype stores—in Pine Bluff, Ark. and Moore, Okla.—that "we critiqued heavily," Shewmaker says. "We found some things we liked and some we didn't like. The ones we liked we put into our existing stores gradually and incorporated into our plans for new stores as we went along." The old Wal-Mart store colors, dark blue and white ("too harsh"), were dumped in favor of a three-tone combination of light beige, soft blue and burnt orange. Carpeting, which had been long discarded on apparel sales floors, was put back. New racks were put into use that displayed the entire garment instead of only an edge of it.

Another old institution returned, too: brand names. Not trendy names like Calvin Klein and Gloria Vanderbilt but time-tested ones like Wrangler jeans and Champion western shirts in apparel and Remington, Cannon, Coleman, Pioneer and Revlon in hard goods.

Selling quality merchandise in quality surroundings while maintaining a low-expense structure seems a little like legerdemain. Shewmaker says it's more like walking a tightrope. And thus has it been for all of Wal-Mart's competitors. With hefty competition on the way, it will be even more so. "Those guys from Detroit," as K mart is known around Wal-Mart's Bentonville headquarters, now go head to head with Wal-Mart in about 120 locations—and that number grows as both companies continue to expand. Who will come out on top? Sam Walton cautiously replies, "If K mart runs good stores, they'll do well. If we run good stores, we'll do well." K mart is one of the great success stories of retailing, but it would do well not to underestimate folksy Sam Walton.—**Kevin McManus** coming from is ironic indeed: K mart and Woolco, the very people they set out to avoid in the first place. Both chains are upgrading their stores just as fast as their capital budgets will let them: bringing in more brand-name merchandise, changing displays, to look more like those in department stores, getting rid of the popcorn machines. *(For an example of how it's done, see box.)* Woolco, which recently installed Target's former president in its top spot, will renovate 25 stores in 1982; K mart will have 720 "new look" stores (out of a total of 2,156) by the end of the year. Both intend to convert their entire nationwide chains within five years.

When they are finished, they will present the first significant competition the discounters at the high end of the market have ever had to face. That's because most of these discounters started out as regional chains and, mindful of what happened to the old-fashioned variety discounters when they tried to compete nationally, have stayed regional. For example, Target concentrates on the Midwest corridor (Minneapolis to Texas), Caldor on New England, Richway on the Southeast, Mervyn's on the West. Says retailing consultant Cyrus Wilson: "None of these guys are really competing with each other yet, whereas K mart and Woolco are going head to head in almost every major market."

Even without the transformation of K mart and Woolco, national competition was bound to come eventually. For one thing, with last year's acquisition of Caldor by Associated Dry Goods, all the high-end discounters but Wal-Mart are now owned by big retailing chains: Target and Mervyn's by Dayton-Hudson, Richway and Gold Circle by Federated, Venture by May, Bradlees by Stop & Shop. Then, too, these discounters have been growing at 10% to 15% a year, and there's only so much strengthening of existing markets you can do before you have to look for new ones. In 1980 Target bought 40 stores from Ayr-Way, another midwestern chain. Chairman William A. Andres of Day-

General retailers

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Department stores												
Dayton-Hudson	23.6%	1	14.9%	0.3	12.0%	1	17.5%	3.4%	17.2%	2	24.7%	1
R H Macy	17.7	2	18.9	0.3	13.2	3	12.0	4.4	11.5	5	20.5	2
Mercantile Stores	14.8	3	15.8	0.4	12.3	4	11.7	4.6	12.2	4	11.3	4
Federated Dept Stores	14.7	4	13.7	0.3	10.8	2	12.4	3.7	11.4	6	9.6	8
May Dept Stores	13.9	5	13.8	0.6	9.2	6	9.4	3.6	10.3	7	10.1	6
Carson Pirie Scott	13.5	6	15.9	1.6	7.5	9	8.6	2.4	9.4	11	13.9	3
Allied Stores	12.9	7	11.3	0.6	7.9	7	9.1	3.4	6.0	15	10.2	5
J C Penney	12.0	8	12.9	0.5	9.3	5	9.9	2.8	9.5	10	6.4	9
Carter Hawley Hale	11.9	9	9.0	0.9	5.6	11	7.6	1.9	15.0	3	3.4	12
Strawbridge & Clothier	10.8	10	10.6	0.6	8.2	10	8.3	3.2	9.7	9	10.1	7
Sears Roebuck	10.6	11	6.6	0.4	5.9	8	9.0	1.9	8.6	12	3.7	11
Dillard Dept Stores	10.4	12	13.4	1.2	7.9	13	6.8	2.4	18.9	1	5.2	10
Associated Dry Goods	9.0	13	9.4	0.3	8.1	11	7.6	2.2	7.0	13	1.2	13
Marshall Field	7.6	14	8.5	0.4	6.2	14	6.3	2.2	10.3	7	–2.1	14
Alexander's	1.2	15	def	1.4	def	15	2.3	def	6.4	14	–24.3	15
Goldblatt Brothers	def	16	def	1.4	def	16	def	def	0.7	16	P–D	16
Medians	**12.0**		**12.1**	**0.6**	**8.0**		**8.8**	**2.6**	**10.0**		**8.0**	
Discount & variety stores												
Wal-Mart Stores	30.6%	1	27.9%	0.7	18.2%	1	20.6%	3.3%	37.4%	1	32.8%	2
SCOA Industries	29.4	2	23.6	0.9	15.0	2	17.6	2.9	14.1	5	48.6	1
Heck's	18.7	3	16.2	0.9	10.4	3	13.5	3.3	21.9	2	18.1	4
K mart	16.0	4	9.9	0.9	7.0	4	11.8	1.5	17.1	3	11.9	6
KDT Industries	13.4	5	1.6	1.7	1.7	6	9.9	0.2	16.8	4	3.2	9
Hartfield-Zodys	13.1	6	5.4	1.8	4.5	9	7.0	0.7	8.8	8	D–P	
Household Intl	12.9	7	7.4	2.0	4.6	10	6.4	1.4	13.9	6	5.0	8
Rose's Stores	12.1	8	11.0	0.2	9.8	5	10.9	1.4	7.3	11	19.9	3
F W Woolworth	11.8	9	8.7	0.6	6.9	7	8.5	1.6	9.6	7	8.8	7
Zayre	11.3	10	13.5	1.3	8.9	8	7.5	1.4	7.5	10	17.4	5
G C Murphy	6.2	11	7.9	0.5	6.3	11	5.2	1.3	7.8	9	–3.6	10
Cook United	4.1	12	3.0	1.0	3.7	12	4.1	0.5	–1.5	12	D–P	
Vornado	def	13	def	0.7	def	13	0.2	def	–4.5	13	P–D	11
Medians	**12.9**		**8.7**	**0.9**	**6.9**		**8.5**	**1.4**	**9.6**		**11.9**	
Industry medians	**12.1**		**10.6**	**0.7**	**7.9**		**8.6**	**2.2**	**9.7**		**9.6**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
P-D: profit to deficit. D-P: deficit to profit; not ranked. def: deficit.

ton-Hudson says he would consider another such acquisition, not only in existing markets but also in new ones. Meanwhile, Andres plans to spend around $1 billion through 1986 to expand Target and Mervyn's, D-H's West Coast discounter. Within five years Target will add 114 stores to its current 151, and Mervyn's will more than double, from 80 stores to 180. May's Venture has digested its last major expansion in 1978 and is now in a position to grow again. It will start by adding three stores this year. Federated is closing its six Gold Triangle stores in Florida and converting them into Richways. The company says this could set the pace for a "major expansion."

Caldor, one of the oldest and most successful of the high-end discounters, has always maintained that regionalism, combined with cautious growth, is its strength: "With growth comes weakness," says Caldor's vice president of stores, Gerald Morgasen. He has a point. Target and Gold Circle both got into trouble when they tried to leapfrog across the country, Target from Minneapolis to Texas and Gold Circle from the Midwest to California. Even at that, though, Morgasen refuses to rule out expansion into new territory. Last year Caldor converted four old Korvettes stores acquired in New Jersey, a new market. It will add 10 this year to its 74 stores.

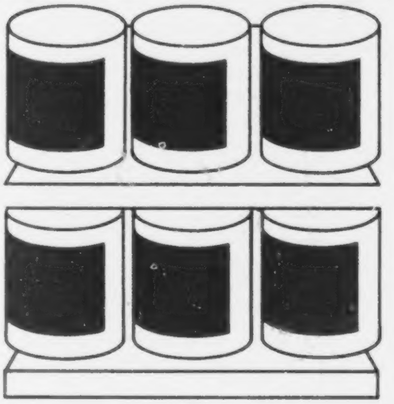
"The upscalers are already starting to fall over each other," says consultant Shapiro. "You're talking about the end of growth in three to five years." The store executives themselves aren't nearly that pessimistic, but they do concede that the competition is heating up. Andres points out that Target and Venture are already in St. Louis, and Caldor and Bradlees compete in the Northeast. Target's Louisville and Cincinnati stores are close to Gold Circle's in Dayton, and Richway and Target are growing toward each other in Tennessee.

When will full-scale, head-to-head national competition break out? Andres and others believe it is at least ten years away. Meantime, Andres says: "Those retailers who can't find a niche in the marketplace will find it increasingly hard to maintain their market share and their profitability." He tells of a recent visit to Indianapolis to check on the conversion of Ayr-Way stores into Targets—but also, not incidentally, to check out the new-look K mart: "I must say K mart did an excellent job of improving the appearance of their stores. At the same time, Target had gotten better as well." He pauses, then adds, "I was pleased to see there was still a differential."

Of course, in a business where so much depends on keeping overhead low, there's a limit to how far such a remodeling race can productively go. Says Andres, with characteristic caution, "The typical pattern in most industries is that they do tend to narrow down as the various companies come into competition with each other." Another discount store executive put it more bluntly: "Two chains can probably survive in the same market. But more than that? I don't know." It seems inevitable that at some point at least some of these discounters will go the way of Grant and Korvettes. The more things change. . . . ■

Almost anyone can start a mail-order business.
But staying in business is harder than starting.

Specialty retailing



By Jane Carmichael

NO ONE KEEPS really reliable numbers on the mail-order catalog market, but on one thing almost everyone agrees: The last two years have seen the biggest catalog boom in history. There are now something like 4,000 to 5,000 mail-order catalogs for consumer goods, up from a handful ten years ago. Total sales from consumer catalogs were estimated at around $25 billion in 1981. (An often-cited $40 billion from the Direct Mail Marketing Association includes telephone and TV solicitations, as well as some insurance and financial services.)

So, of course, certain developments are almost predictable. Listen to Roger Horchow, whose $40 million (sales) Horchow Collection, based in Dallas, is one of the more spectacular mail-order successes. "In 1981 I think I saw more new catalogs than ever before in my nine years in the business," says Horchow in a slow Texas drawl. "And this year, I predict, we will see the biggest wave of bankruptcies ever." Adds Dallas-based consultant Jacques Vroom, who helped Horchow get started, "They'll be dropping like flies."

The mail-order business has never been easy—it just looks easy. In the best of times, only one in four new catalogs survives its first three years. And these are not the best of times. Horchow ticks off the economics of the business: "Cost of goods runs about 50% of sales. Of the 50% left, a very good company runs 10% to 15% for the cost of handling the order and overhead. That leaves 35% to 40% to pay for your catalog, and then you're just breaking even."

The cost of producing the catalog, too, has skyrocketed. Postage is up from 2 cents per catalog in 1959 to

10.9 cents today. The cost of renting names for a mailing list has gone in six years from $30 a thousand to as high as $80. The costs of paper, printing and photography likewise have soared. Horchow says his sales per thousand—the industry measure of profitability—has dropped over the past year from $4,000 in orders for every $1,000 spent producing the catalog, to $3,000. His profit margin has slid from 10% to 5%.

Of course, even a 5% margin looks good next to the usual retailing margin of 3% or 4%, and that, together with the fact that it only takes $500,000 to $1 million to start a catalog, helps explain why neophytes keep jumping in. "Probably 90% of all catalogs are started by people with no previous mail-order experience," says Vroom. "What they don't understand is that while it's easy to get into the market, it usually takes several years for a catalog to pay off."

Some of those neophytes in recent years have been big companies that thought mail order was no harder than ordinary marketing. Chris-Craft sold its catalog last year to a list broker. The Clydesdale Collection, started by Anheuser-Busch two years ago to sell everything from beer mugs

Specialty retailers

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Drug chains												
Rite Aid	21.7%	**1**	20.2%	0.1	18.3%	**2**	19.2%	3.8%	18.9%	**7**	23.5%	**2**
Revco D S	21.3	**2**	19.7	0.3	16.3	**4**	17.7	3.3	20.9	**5**	21.9	**3**
Longs Drug Stores	20.8	**3**	17.9	0.0	17.9	**1**	20.8	3.0	17.2	**8**	14.4	**9**
Pay Less Drug NW	20.2	**4**	18.6	1.5	10.1	**6**	14.2	2.0	23.2	**3**	17.7	**7**
American Stores	19.8	**5**	15.4	1.1	8.8	**5**	16.0	0.7	47.9	**1**	21.1	**4**
Jack Eckerd	19.1	**6**	19.1	0.0	18.3	**3**	18.5	4.5	24.1	**2**	16.7	**8**
Nordstrom	18.7	**7**	19.1	0.8	11.6	**7**	13.3	5.3	20.3	**6**	18.6	**6**
Walgreen	17.6	**8**	19.5	0.4	14.7	**8**	12.6	2.4	6.9	**11**	19.6	**5**
Pay'n Save	16.2	**9**	12.3	0.8	8.6	**9**	12.0	1.9	22.0	**4**	12.1	**11**
Peoples Drug Stores	15.7	**10**	16.3	0.6	12.4	**10**	11.8	1.5	12.8	**9**	24.9	**1**
Thrifty Corp	13.9	**11**	16.4	0.9	12.5	**11**	10.4	1.7	12.2	**10**	12.8	**10**
Medians	**19.1**		**18.6**	**0.6**	**12.5**		**14.2**	**2.4**	**20.3**		**18.6**	
Fast food chains												
McDonald's	24.1%	**1**	22.2%	0.8	13.0%	**1**	13.6%	10.6%	20.5%	**2**	22.0%	**1**
Denny's	19.9	**2**	17.8	1.2	9.9	**2**	11.8	3.4	22.2	**1**	17.9	**2**
Host International	18.2	**3**	6.6	0.7	5.3	**3**	11.7	1.4	12.0	**5**	16.9	**3**
Saga	13.1	**4**	18.3	0.6	11.6	**4**	10.5	1.5	17.4	**4**	6.4	**4**
Gino's	8.6	**5**	5.1	3.7	6.1	**5**	6.6	0.5	9.1	**6**	–6.5	**5**
Sambo's Restaurants	def	**6**	def	5.8	def	**6**	0.3	def	18.8	**3**	P–D	**6**
Medians	**15.7**		**12.2**	**1.0**	**8.0**		**11.1**	**1.5**	**18.1**		**11.7**	
Other specialists												
Tandy	47.0%	**1**	40.8%	0.2	31.1%	**2**	27.6%	10.4%	23.3%	**5**	41.5%	**1**
Avon Products	30.8	**2**	25.9	0.0	24.5	**1**	30.0	9.0	12.9	**13**	10.5	**14**
Toys "R" Us	28.1†	**3**	19.4	0.3	17.4	**8**	16.1†	5.0	26.2‡‡	**3**	30.2‡‡	**3**
Melville	27.7	**4**	23.5	0.2	22.5	**4**	25.9	4.7	19.1	**6**	20.6	**6**
Petrie Stores	27.6	**5**	22.7	0.0	22.6	**3**	27.5	9.8	13.1	**11**	15.7	**10**
Service Merchandise	27.5	**6**	18.3	1.5	11.2	**7**	19.2	2.4	37.6	**1**	30.0	**4**
Best Products	27.3	**7**	15.3	1.3	9.1	**5**	20.4	2.3	33.9	**2**	39.3	**2**
Edison Bros Stores	23.6	**8**	19.1	0.2	16.2	**6**	19.7	4.9	12.9	**12**	18.9	**8**
Morse Shoe	17.3	**9**	11.2	0.4	9.2	**9**	15.2	2.6	15.2	**10**	21.9	**5**
Gordon Jewelry	16.4	**10**	15.0	0.6	12.1	**10**	13.7	5.5	17.3	**8**	17.9	**9**
Brown Group	15.7	**11**	17.3	0.3	14.1	**12**	12.7	4.0	9.4	**15**	15.3	**12**
Zale	14.6	**12**	15.9	0.2	14.5	**11**	12.8	8.3	8.1	**16**	14.1	**13**
Levitz Furniture	14.5	**13**	9.7	1.0	7.1	**14**	9.6	2.5	7.1	**18**	19.7	**7**
Modern Merchandising	14.0	**14**	5.6	1.5	5.0	**16**	9.3	0.8	25.7	**4**	7.2	**15**
ARA Services	12.3	**15**	9.5	0.5	7.3	**15**	9.4	1.6	15.5	**9**	6.0	**16**
Lane Bryant	11.9	**16**	11.9	0.2	10.0	**13**	10.1	2.8	4.2	**19**	5.9	**17**
Wickes Companies	10.7	**17**	3.4	2.1	4.9	**17**	8.4	0.2	18.1	**7**	15.6	**11**
Beneficial Corp	9.3	**18**	def	3.1	3.7	**19**	5.7	0.5	8.0	**17**	–3.8	**18**
Pittston	8.6	**19**	4.9	0.2	3.9	**18**	7.3	1.5	9.9	**14**	–11.9	**19**
Genesco	def	**20**	17.8	1.7	7.5	**20**	def	1.9	–6.0	**20**	D–D	**20**
Medians	**16.1**		**15.6**	**0.4**	**10.6**		**13.3**	**2.7**	**14.2**		**15.7**	
Industry medians	**17.6**		**17.3**	**0.6**	**11.6**		**12.8**	**2.5**	**17.3**		**16.9**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
†Four-year average. ‡‡Three-year growth. P-D: profit to deficit. D-D: deficit to deficit. def: deficit.

to player pianos, is "under evaluation," says the company. Norm Thompson, a gift catalog started by Parker Pen, was sold to its employees in 1980. Armstrong House, owned by Armstrong World Industries, won't even comment on its future.

Says Executive Vice President Lawrence Barnett of Chris-Craft, who was in charge of the catalog, "It earned money, but not big money. It was just a lot of work." An Anheuser-Busch man agrees: "It's a lot of effort for very little return. In terms of our overall business, it's an eyedropperful."

Inflation has hit the low-end catalogs especially hard. Companies like Sunset House, which used to make good money selling such gadgets as $1.95 combination flashlight-keyrings, have either been acquired or have gone out of business; their $15 average orders are no longer enough to cover the overhead. Sunset House was sold a year ago to Unity Buying Service, another mail-order company, and Unity's first move was to cut warehouse space by two-thirds. Foster & Gallagher of Peoria, Ill. shut down a low-end catalog in 1981. Spencer Gifts, owned by MCA, is said to have lost money in the last two years.

There are, of course, bright spots in the gloom. Catalogs with high-priced merchandise are still doing well, especially those that have managed to create distinctive images for themselves *(see box)*. Tiffany & Co. of New York, for example, sells Christmas cards by mail at up to $255 per hundred (engraving extra). The Sharper Image, which sells expensive playthings for executives—such as a reproduction of a French cavalry sword that comes blunt-edged but can be sharpened—was a success from its inception seven years ago. Early Winters, a West Coast answer to L.L. Bean, was likewise a winner from the start.

Both to distinguish themselves from the competition and to raise their returns, many catalogs are specializing, following the lead of such successes as the Williams-Sonoma gourmet catalog. As mailing lists mature, catalogers are able to conjure ever more detailed customer profiles from their computers, mailing only to those people most likely to buy a certain item. Though the mailings are smaller than for a general catalog, raising the break-even point somewhat, returns per thousand can double. Says Horchow, "It's the salvation of the industry. We can just push a button and find anybody from Keokuk, Iowa who bought a spinning top for $12 in 1974. Then we can send that person a new spinning-top catalog."

Cataloger Roger Horchow
"Specialization is salvation."

Horchow recently launched specialty catalogs for linens, antiques and cooking equipment. Foster & Gallagher is now concentrating on specialties like tulip bulbs and roses. There are no fewer than six catalogs that sell tools and gadgets for left-handed people. The Popcorn Factory, started three years ago by Phyllis Cretors in Lake Bluff, Ill., sells nothing but—you guessed it—popcorn. (Cretors, whose husband's great-grandfather held the first U.S. patent on popping corn in oil, tried putting a couple of candy items in her Christmas catalog this year, but will drop them next year in order to keep the catalog's image pure.)

Yet even specialization is no guarantee of success. Cretors, who is now selling eight tons of popcorn a week, admits to some concern over the stampede into the mail-order market. "As far as I know," she says nervously, "we're still the only popcorn catalog around." ■

The high-priced stuff

"I have nothing against the guy who is buying $5 long johns," says Eric Flaxenburg. "But that isn't our customer." Flaxenburg is president of French Creek Sheep & Wool Co., one of the hottest little successes (1981 sales: $3 million) in the specialty mail-order business, and it didn't get that way peddling cheap long johns.

Rather, French Creek's catalog features $25 cotton underwear imported from Switzerland—along with handmade $650 cashmere sweaters and $800 sheepskin coats. Does it pay? Standing with Flaxenburg on a rolling hillside of his 40-acre farm outside Elverson, Penna., watching his flock of cream-colored Corriedale sheep, it's easy to forget there is a recession on. In fact, for him there is none: Sales and earnings have been compounding for the last several years at 30%; gross margins might run 100%.

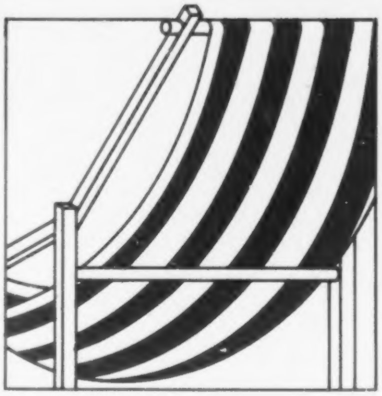
Why is the high-priced stuff selling so well? One reason is quality. Flaxenburg makes sweaters out of $100-a-pound yarns, and his well-heeled customers are willing to pay the price. Just as important, though, he says, high-priced merchandise is much easier to glamorize in print. "In the copy I can romance it, present it exactly the way I want it to be perceived," says Flaxenburg, a husky man with laugh lines all over his bearded, cherub's face.

In fact, he says, mail-order shopping is largely fantasizing. "You look through the catalog and suddenly there is something you can't live without," he says. "The recession fades. It's like the genie saying, 'You have three wishes.' "

Flaxenburg, 52, helps the fantasizing along with lush pictures of his farm, flock and 18th-century barn, where the stalls have been converted to work places that look like scenes from 19th-century cottage industry. The catalog describes a $195 pair of imported, old-fashioned-looking, over-the-ankle boots as "a landowner's shoe." The $25 underwear is called "the 'smalls' of European nobility."

Not only does recession work in his favor, says Flaxenburg, but so does inflation. "Inflation destroys the difference between garbage and good. Garbage becomes so damned expensive in inflationary times that you might as well go for the good. For a buck more you can go first class."—**Steven Flax**

The riches of cable TV are not, as the movie studios had hoped, just around the corner.



Leisure

By William Harris

EVERYONE SEEMS TO AGREE that cable and pay television, with their appetite for programming, will become a massive profit generator for the movie industry. But when? And how?

"All the studios decided to step up production, anticipating the needs of newer media," says Crowell Weedon entertainment analyst Arthur E. Rockwell. "The potential is still great, but these markets haven't really developed yet. Besides, a film which does poorly at the box office can't command high fees in ancillary markets." Universal Pictures President Ned Tanen echoes the sentiment: "Pay-TV has a voracious appetite for programming, but in terms of generating income, it is still a babe in the manger."

That's hardly what Hollywood's seers were saying last year. Studio executives, it seems, got caught up playing a numbers game. True, pay-TV is now a $1.5 billion-a-year industry, growing 30% annually. Nearly 20% of the 80 million U.S. households subscribe to one pay service or another, with Time Inc.'s Home Box Office and Showtime, jointly owned by Viacom and Westinghouse's Teleprompter subsidiary, dominating the market. And all those channels do need programming.

But look at those numbers another way. Pay-TV's presence in major U.S. markets is surprisingly low. Consider the big three: New York has 20% cable penetration, Los Angeles only 13% and Chicago a paltry 5%. The wired nation is still years—and billions of dollars—away.

While the studios were dreaming about HBO and Showtime, however, they were caught off guard by a sharp jab from their historic ancillary market, network television. Feature films score high in TV ratings, but the networks are becoming more selective

Leisure

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Hotels & gambling												
Resorts Intl	37.4%	1	0.6%	0.6	2.0%	1	28.9%	0.5%	42.9%	1	82.7%	1
Caesars World	25.5	2	30.0	2.2	12.2	3	10.1	5.8	27.2	2	Z–P	
Hilton Hotels	25.1	3	23.7	0.3	18.8	2	18.1	18.9	6.7	8	30.8	2
MGM Grand Hotels	22.9	4	19.4	0.9	11.1		**	17.1	15.6‡	4	20.3‡	4
Marriott	17.7	5	24.5	1.5	10.9	5	9.4	4.2	18.2	3	23.8	3
Holiday Inns	13.1	6	16.8	0.8	11.8	4	9.9	7.8	8.0	7	12.8	5
Del E Webb	10.5	7	9.2	1.2	3.0	6	9.2	2.2	9.1	6	11.5	6
Ramada Inns	4.5	8	def	1.9	def	7	4.0	def	11.4	5	–8.2	7
Medians	**20.3**		**18.1**	**1.1**	**11.0**		**9.9**	**5.0**	**13.5**		**20.3**	
Entertainment												
Columbia Pictures	47.8%	1	20.8%	1.4	12.8%	1	21.2%	5.6%	16.4%	3	D-P	
Warner Communications	28.9	2	23.7	0.3	19.7	2	19.5	7.0	22.4	1	31.6%	1
General Cinema	20.8	3	22.3	1.0	12.9	4	13.1	4.6	17.6	2	17.8	2
MCA	18.7	4	11.1	0.0	10.2	3	17.1	7.7	14.3	4	14.6	4
Walt Disney	12.6	5	11.2	0.0	10.4	5	11.4	12.1	12.7	5	14.8	3
Medians	**20.8**		**20.8**	**0.3**	**12.8**		**17.1**	**7.0**	**16.4**		**16.3**	

Note: Explanation of Yardsticks calculations on page 51.
‡Four-year growth. D-P: deficit to profit: not ranked. Z-P: zero to profit; not ranked. def: deficit.
**Not available; not ranked.

and tight-fisted about their purchases. Not only have they built up film inventories, they're no longer so willing to help studios spread the investment risk by buying product sight unseen. ABC, for example, paid a reported $8.5 million for Universal's lemon, *Moment by Moment*, starring John Travolta and Lily Tomlin. Audiences switched channels.

To make matters worse, for the first six months of last year no one was going to the movies either. When summer hit, the crowds came back. But people were lining up for only a handful of the 60 films the industry had released, notably Paramount's *Raiders of the Lost Ark* and Warner's *Superman II*. Simply put, there was too much product in the marketplace and not enough five-dollar bills in movie fans' pockets. "The summer was still strong," says analyst Rockwell, "and the industry will end up having a respectable year. But the business has entered a slow-growth transitional period now."

That means studios are retrenching as well as coming up with new risk-spreading schemes, especially since the average feature film now costs $8 million to produce. Saturation release—opening a picture simultaneously in hundreds of theaters

Atlantic City: blackjack or bust?

The pot in Atlantic City's billion-dollar game is growing: Gross revenue of the casinos in the Boardwalk town nearly doubled last year, from $624 million to about $1.1 billion. But so did the number of corporate players. Five new casinos—Holiday Inns' Harrah's, Golden Nugget, Playboy, Claridge and the Tropicana—anted up in the last 15 months to take their place at the table with Bally's Park Place, the Sands, Resorts International and Caesars World.

Now the real competition can begin. Because of lead times for construction and licensing, it is certain that the nine casinos now operating in Atlantic City will have at least two years to play out their hands without any new competitors. And the revenue take is expected to expand another 25% this year.

"Operators who understand the dynamics of the business and have a moderate cost structure can make a lot of money," says Bear, Stearns analyst Steven Eisenberg. "The regulatory climate has been eased, and the wage spiral caused by the pirating of employees by new casinos will end." Nevertheless, he warns, "the poorly designed casinos . . . such as Playboy, and those tied to heavy cost structures, such as Ramada Inns' Tropicana, are going to have rough sledding in 1982."

Resorts International in Atlantic City
Are nine players too many?

The Tropicana, which opened in November, had been expected to cost $139 million, but the final price tag was over $330 million. Operating expenses are expected to run $15 million a month, including $3.2 million in interest costs.

The Tropicana, the Sands and Claridge casinos all ended 1981 without turning a profit. Only one pre-1981 company, Bally's Park Place, did as well last year as in 1980. Still, for a shrewd operator like Golden Nugget, whose strong management and low cost structure has made it the new rising star of Atlantic City, 1981 was a fantastic year. And for players unburdened by high interest rates, like Resorts International—which funded its entire $125 million construction bill in 1978 and 1979, when it had a gambling monopoly in Atlantic City—future prospects look bright.

The East Coast resort town may someday even put the desert showplace in the shade. "We already have 18 million visitors a year—50% more than Las Vegas," boasts Resorts Executive Vice President Steve Norton. Vegas, he explains, had a gross win of $1.7 billion last year, although 110 Clark County casinos vied for the money. "By 1985," he says, "Atlantic City will overtake the gross Vegas win."

There are also problems. People driving and busing to Atlantic City do not stay very long or spend the kind of money they do in Las Vegas. The average stay in Vegas is four days. In Atlantic City it's less than one. One reason: a shortage of first-class hotel rooms, making the area unsuitable for most conventions.

There is also a slight status problem. "Atlantic City has a long way to go," says Fred Benninger, chairman of MGM Grand Hotels, which has put its Atlantic City casino plans on a back burner. "I don't know why a rich Arabian would want to come to Atlantic City—unless he was a degenerate gambler who couldn't satisfy his whim any other way."

Benninger says that the main obstacles to building in Atlantic City are the absence of an easy-access airport, a burdensome regulatory climate, high interest rates and the area's failure to become a "destination resort."

Instead of building in Atlantic City, MGM plans to build a small, 400-room casino in Hull, Mass., where gambling is on a local referendum. "It's a safer bet," says Benninger. "You don't have to invest as much, and you have a better return per dollar." MGM still owns land in Atlantic City with Hilton, but Benninger is waiting for further improvements, including a continued easing of regulations. (In 1981 the New Jersey Casino Control Commission ended fixed-minimum betting tables, mandatory entertainment nightly with or without audiences and certain minimum staffing requirements.)

Gambling in Atlantic City is only a four-year-old business, and the casinos are still undergoing "a very costly learning process," says E.F. Hutton analyst George Novello. But the future looks better with each passing year. Says Novello: "Compared to Vegas, the potential is incredible."—**Jonathan Greenberg** across the U.S.—is one growing trend. The idea is to grab the cash as quickly as possible before negative word-of-mouth ruins the box office. MGM's *Rich and Famous*, for example, opened in 650 theaters in October. Despite so-so reviews the film did okay business. In the same month Universal rammed *Halloween II* into 1,200 theaters, recovering its costs in only three days.

Studios are also trimming overhead as a way to improve profits. Paramount, Universal, MGM and United Artists have formed a new jointly-owned subsidiary to distribute their collective output overseas. The consolidation should save each company millions this year alone. Joint production may also be a growing trend. Disney, for example, is financially strong but unsuccessful of late in the movie business. So the company seems hesitant to make a picture without a partner. Still, its $22 million *Popeye*, for example, which it coproduced with Paramount, has yet to break even.

How much more the studios can streamline their operations, however, is debatable. Obviously the current decline in feature-film product will reduce expenses, but executives who became born-again cost-cutters following the 1980 *Heaven's Gate* debacle are somewhat chastened today. Try circumventing the 30 trade unions tied to studio filmmaking or convincing the "talent" to take a pay cut. What's more, the big-budget blockbuster is hardly dead. Paramount's just-released *Reds*, for example, cost $33.5 million.

Generations of executives have talked about turning the movies into a real industry but it remains at bottom what it always has been: a glamorous gambling casino. ■

Will the lion roar again?

How does a movie company get public money in these parlous times? A new limited partnership called SLM Entertainment wants to help out. Founded by two seasoned movie investors, Samuel Schulman, owner of the Seattle SuperSonics basketball team, and Irving Levin, former president of National General Corp., SLM will finance movies much like Broadway shows or oil and gas tax shelters. Its first partner: MGM, which is leveraged to the hilt, badly needs capital.

SLM Entertainment, which raised $40 million late last year, will not invest in any single movie, but it will contribute up to half the production costs or $7.5 million, whichever is lower, on every film that MGM makes during the next five years. That spreads the risk. In return SLM gets a matching percentage of each film's profit.

Schulman and Levin's public investors, who put up a minimum of $10,000 each, will not see any cash for five years. The potential profits will be rolled over. So if there are none, the deal might collapse at any time during the five years. But there are some short-term tax advantages, such as deferred income, investment tax credits and interest payment writeoffs.

It's no accident that SLM is structured like an oil-drilling venture: Movie investing may be glamorous, but it's highly risky. Most films never seem to show a profit, thanks to Hollywood accounting. Levin contends that that has all been provided for. "We know all the studio tricks, like tacking on developmental fees," he says. "We tried to cover every contingency up front. We have a contract with MGM that runs 150 pages. The only real question is: Will MGM make good movies?"—W.H.

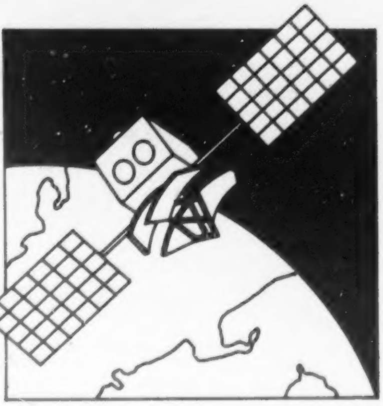
Leisure

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Recreation												
Tandy	47.0%	1	40.8%	0.2	31.1%	1	27.6%	10.4%	23.3%	2	41.5%	1
Bally Manufacturing	25.5	2	23.8	0.5	17.3	3	18.9	9.3	27.3	1	29.4	2
Eastman Kodak	20.0	3	21.2	0.0	20.0	2	18.9	12.3	12.8	7	10.0	5
Milton Bradley	18.3	4	9.6	0.2	8.7	4	14.9	4.5	15.3	4	19.6	3
American Greetings	14.6	5	13.5	0.5	9.6	7	10.9	5.3	13.0	6	11.8	4
Mattel	13.2	6	def	0.8	2.6	5	13.5	0.0	16.6	3	D–P	
AMF	11.4	7	3.7	0.4	3.6	10	8.3	1.3	6.4	11	–0.9	9
Fleetwood Enterprises	11.3	8	6.5	0.0	6.4	6	11.3	1.4	13.6	5	4.2	7
Skyline	10.8	9	5.9	0.0	5.8	8	10.7	2.3	4.6	12	–1.2	10
Brunswick	10.4	10	12.6	0.5	9.0	11	8.1	4.4	9.0	9	1.7	8
Polaroid	9.2	11	6.3	0.1	5.7	9	9.1	4.3	12.1	8	8.2	6
Outboard Marine	7.4	12	9.6	0.4	7.7	12	6.4	3.4	8.0	10	–5.4	11·
Medians	**12.3**		**9.6**	**0.3**	**8.2**		**11.1**	**4.4**	**12.9**		**8.2**	
Industry medians	**17.7**		**12.6**	**0.5**	**10.2**		**11.4**	**4.6**	**13.6**		**13.7**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
‡Four-year growth. D-P: deficit to profit: not ranked. Z-P: zero to profit; not ranked. def: deficit.
**Not available; not ranked.

The gorilla is getting ready to get out of the cage. The gorilla, of course, is sweet old Ma Bell.



Telecommunications

By Carol E. Curtis

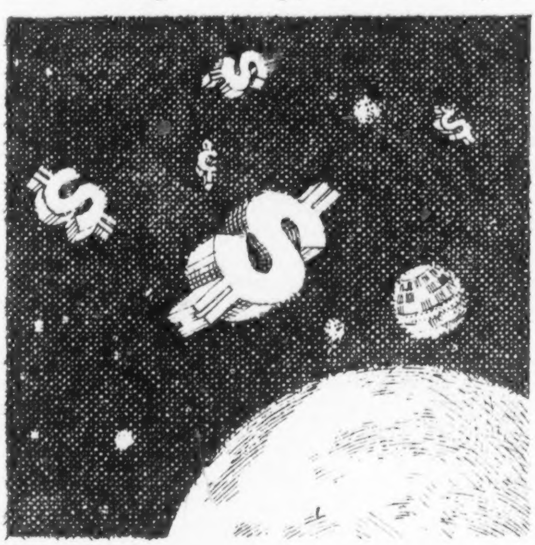
Few companies cast a shadow over an industry as long as American Telephone & Telegraph's. Ma Bell's $58 billion in revenues still represents more than 50% of the total U.S. market for telephone equipment and services and 80% in areas such as long distance—despite a decade of pro-competition FCC decisions and a landmark deregulation ruling in 1980.

This year that historic process of deregulation will come to a climax. Ma Bell is getting ready to go out into the cold, to compete with hundreds of companies busily chipping away at its high-growth markets, most notably terminal equipment and long-distance communications.

By Jan. 1, 1983, Bell should start implementing the FCC's 1980 ruling by selling, rather than only renting, equipment to new customers. According to Steve Chrust, an analyst with Sanford C. Bernstein, AT&T will probably put about one-fifth of its equipment manufacturing business into a separate, unregulated subsidiary, so-called Baby Bell. That's a real misnomer: With expected first-year sales that could approach $2 billion, Baby Bell will be among the top 500 corporations in America.

Ma Bell out in the cold? It's more like letting a gorilla out of a cage. With its sheer size, financial strength and superb research and development, Bell will do all right—possibly better than ever. In fact, though it originally opposed the FCC's decision, AT&T has since decided it may not be so bad after all. It's not hard to see why. True, Bell's guaranteed market for leased telephone equipment will end. But selling Bell equipment may be a lot better. Baby Bell may be able to offer better—and perhaps cheaper—equipment than its competitors because of the strength, size and economies of scale of the Bell System.

Baby Bell also will be able to market services like teleconferencing, call forwarding, call storage, advanced mobile phone service and yellow page advertising—none of it subject to rate-of-return regulation. "The less regulation of these functions, the more a corporation like AT&T will like the business," says John Jones, a telecommunications analyst with Oppenheimer & Co.



And eventually Baby Bell could be a vehicle for entry into high-growth, high-technology areas such as data processing and the office of the future—areas from which Bell has always been barred. That's why Charles Jackson, a Washington, D.C.-based telecommunications consultant, calls the FCC ruling "a dream come true" for AT&T.

What about the impending resolution of an eight-year-old government antitrust suit against AT&T, though? After all, a decision against AT&T could conceivably go so far as to require divestiture of its several operating companies. Given the probusiness environment in Washington, few observers expect it to go that far—even if Congress does not intervene (the Justice Department has said it will drop the suit if acceptable legislation is passed).

Instead, the FCC ruling may well be the limit of regulatory change. "Even if AT&T were judged to be guilty [in the suit], I don't believe it will be split up as a result," says Bradford Peery, who follows the industry at Paine Webber Mitchell Hutchins Inc. Adds Amy Newmark, a telecommunications analyst with Cyrus J. Lawrence, "I can't see anything happening in 1982 that AT&T isn't going to love."

If Bell's future looks bright, its competitors—or many of them—will also fare well. The pie is growing so fast that there seem to be ample opportunities for all.

For example, independent vendors who have been eating into the customer premises equipment market to the tune of $1.5 billion are expected to grow dramatically—a reflection of the high growth rates in the market for voice mail, least-cost routing systems and PBX systems. Though there are 25 manufacturers of terminal equipment, Bell's strongest competition is likely to come from Datapoint, Rolm, Mitel and Canada's Northern Telecom.

Long-distance communications is also opening up to aggressive, well-run companies. Newmark thinks independent long-distance firms, such as her favorite, MCI Communications, could grab 6% of Bell's current 80% long-distance share over the next three years. Hardly a loss for Bell—but a big gain for the newcomer. Chrust and others see MCI's revenues soaring from $235 million in fiscal 1981 to $500 million in 1982—with a threefold jump in earnings per share.

For the time being, Bell will have its hands full just getting Baby Bell set up. But by 1985 the new subsidiary is expected to be a presence in data processing. And by the middle of the next decade, AT&T and IBM may well become big-league competitors in supplying the office of the future—two superb companies taking each other on. The deregulated communications industry, clearly, is turning out to be an arena where almost everybody wins—including the public. ■

The battleground

When Baby Bell takes on the computer companies, one of the battlegrounds may be the PBX.

A PBX, or private branch exchange, is a switchboard, and practically every business of any size has one. But modern PBXs are far from the jackboards manned by operators in earphones. They are actually very similar to powerful data processing systems. Transformed by digital technology in the mid-Seventies, most new PBXs can switch data as well as voices, and chances are they will occupy a strategic position in the office of the future. In that office every piece of equipment is linked to every other, and the PBX may be the linking device.

Which is why nontelecommunications companies like Datapoint and Honeywell have entered a market that once belonged to Bell. It is the biggest confrontation yet between computer and telecommunications companies in the U.S., and there are more to come. "After all, the technologies have merged," says Ken Bosomworth of IRD, a Connecticut-based consulting firm. "All you're doing is shoving electrons around on wires and pushing them through silicon gates."

The PBX market has exploded. Growing at a 20% clip, it hit $850 million in 1981. Companies like Rolm and Mitel have built phenomenal growth around it and, together with more traditional telephone companies like Northern Telecom and GTE, managed to snatch 50% of the new-equipment market from Ma Bell in under ten years.

Things won't continue at that pace. The tremendous growth has come mostly from the replacement market—businesses switching from equipment leased from AT&T and buying new units instead. Says Winston Himsworth, a telecommunications analyst at Lehman Brothers Kuhn Loeb: "A business needs only one PBX, and if it grows, it adds a few lines. The basic market is growing about as fast as new business grows."

What next? "With one year to go till Ma Bell can sell PBXs, time is of the essence," says Vincent Rafferty of the Marketing Programs & Services Group. Though AT&T has lost half the market, it still has the rest, and some think Bell is simply keeping quiet until the shackles come off. Cautions Leo Anderson, publisher of *Telephony*, "Everybody wants a piece of the action, and Bell wants the biggest piece of all."

But the manufacturers may not have the ultimate say. What's also shaping up is a contest in the executive suite. As computers and telephone systems merge, so will corporate functions. Communications managers and data processing managers will try to defend their own turf. Says Rafferty: "There's going to be infighting, and that may be where the war is won or lost." Neither Bell nor its competitors can do much about that. If the data processing manager wins, his suppliers may be in a better position. If the communications manager wins, that could help the other side.

Whatever happens, people are watching one possible future player. IBM has a PBX that has done well in Europe; many expect it will introduce one here, maybe in 1982. If so, it will be the first major direct competition between AT&T and IBM.—**Laura Saunders**

Telecommunications

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
United Telecom	18.7%	**1**	21.5%	1.0	8.9%	**1**	8.1%	11.9%	13.8%	**2**	9.9%	**1**
Central Tel & Utils	17.8	**2**	18.4	0.9	7.6	**2**	7.7	10.3	17.1	**1**	9.4	**2**
General Tel & Elec	14.4	**3**	14.3	1.0	6.7	**4**	7.1	6.5	11.1	**6**	7.2	**5**
Continental Tel	14.3	**4**	14.5	1.1	7.0	**5**	7.1	9.4	13.6	**3**	6.1	**6**
American Tel & Tel	13.1	**5**	13.0	0.7	7.5	**3**	7.5	12.1	11.6	**4**	8.9	**3**
So New England Tel	12.5	**6**	16.2	0.7	8.1	**6**	7.0	11.7	11.3	**5**	8.2	**4**
Western Union	4.9	**7**	7.5	0.9	6.0	**7**	5.0	6.0	7.2	**7**	0.0	**7**
Industry medians	**14.3**		**14.5**	**0.9**	**7.5**		**7.1**	**10.3**	**11.6**		**8.2**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.

Everyone is scrambling to create new programming for cable television. For the moment, however, don't expect those programs to differ much from what you can already see.

Broadcasting

By Jon Schriber and Thomas O'Donnell

If it's true that more tears are shed over answered prayers than unanswered ones, many cable TV operators may soon be getting out their crying towels. That's because these companies have been praying for—and winning—the right to wire America. Now that franchises have been awarded in many of the big cities, the industry faces a chilling possibility: low revenues from those franchises unless sufficient new programming becomes available.

How big is the programming problem? Take a look at some numbers. By 1990 cable will go by 90% of U.S. homes. Even conservative estimates say that 50% to 60% of these homes will be hooked up. Today the three commercial networks burn up 2,200 hours of original programming each year in prime time alone. Multiply that by scores of yet-to-be-built cable systems, and you can see why the industry is scrambling for new ideas.

Scramble or no, many production companies are moving into cable very slowly. The industry is still not mature enough to support original programming with big advertising dollars or subscriber fees, and that's why considerable initial enthusiasm about cable has been misplaced *(see story, p. 238)*. "A lot of good ideas will probably never support themselves economically," says Joseph Fuchs, an analyst at Kidder, Peabody & Co. He warns: "Lots of people are going to lose lots of money over the next five years on cable programming."

Those years, however, should be bright for clever cable operators because they can continue to do what they have always done: rebroadcast such antiques as *The Beverly Hillbillies* and *My Mother, the Car*. In one sense, of course, the programming problem is a myth: Cable systems will always have something to present, if viewers aren't picky about quality.

Still, some programmers are rushing to line up top-tier material. Time Inc.'s HBO, Warner Amex' Movie Channel and Showtime Entertainment's channel have outbid the commercial networks for many popular first-run films such as *Private Benjamin* and *Ordinary People*. Yet even these programmers are running into supply problems because there simply aren't enough successful films on the market *(see p. 233)*. Increasingly, these channels have to rely on "entertainment specials," usually comedy shows or musicals with headliners like Red Skelton and Robert Klein.

Sports also offer creative possibilities. Chester R. Simmons, the president of ESPN, an all-sports network owned by Getty Oil, foresees the development of pay service, which would show title fights or football playoffs. "The money generated by cable will be what promoters look for in the future," he predicts. ESPN just signed a joint venture with ABC to offer major

Broadcasting

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Metromedia	34.2%	1	39.1%	0.8	21.5%	1	18.5%	12.2%	13.8%	4	33.1%	1
Capital Cities Commun	22.5	2	21.2	0.2	18.8	4	17.7	14.4	22.2	1	23.7	2
Amer Broadcasting	22.4	3	16.1	0.3	13.4	3	17.9	6.0	14.3	3	23.7	3
CBS	20.9	4	15.2	0.2	12.4	2	17.9	4.4	14.8	2	11.4	4
RCA	14.6	5	0.1	0.8	3.8	5	10.8	0.9	9.5	5	7.8	5
Industry medians	**22.4**		**16.1**	**0.3**	**13.4**		**17.9**	**6.0**	**14.3**		**23.7**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51

Cable News Network in action
Tomorrow's headlines—or just filler?

sports events for an extra charge as early as this spring.

Even more ambitious are plans to form a major football league exclusively for cable TV by 1983. The teams would play a four-month season beginning in March, with play-offs in July. Investors are already committed to 12 franchises.

Currently, however, one of the fastest-growing cable sectors is news. Ted Turner, still a preeminent cable innovator, stays in business largely because of his Atlanta-based "SuperStation," which broadcasts old movies and situation comedy reruns. SuperStation profits subsidize Turner's around-the-clock Cable News Network, a venture that may yet change the way television broadcasts the news.

Why not try to solve the programming problem by putting magazines on the air? That's just what some publishers are doing. "Everybody and his uncle with a specialized magazine have a vision of getting a specialized video program," quips one analyst. Time Inc., for example, is putting *Money* magazine on HBO, with a program called *Money Matters*.

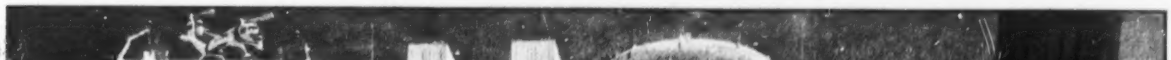
This month, meanwhile, Playboy Enterprises is unveiling *Escapade*, an "adult" program. "You'll see living, breathing video versions of the magazine," promises a Playboy ad. Not to be outdone, *Penthouse* publisher Bob Guccione will soon launch the *P.E.T. Network*, featuring talk shows, films, uncensored comedy performances and, of course, *Penthouse* Pets.

At the other end of the spectrum is family entertainment, and—not surprisingly—Walt Disney Productions is a leader. Starting in early 1983, Disney will put a 16-hour-per-day pay service into operation in conjunction with Westinghouse. Disney is committing $100 million to develop new programs over the next three to four years. Yet its programming will owe something to the past: It will use material from the Disney film library such as *The Wonderful World of Disney*.

At the commercial networks, involvement in cable has—up to now—been minimal. Regulations have prevented them from buying up cable properties—regulations that are coming under fire in the Reagan Administration's push for deregulation. Another reason is the networks' fear that cable would "upset delicate relations with their affiliates," says one industry expert.

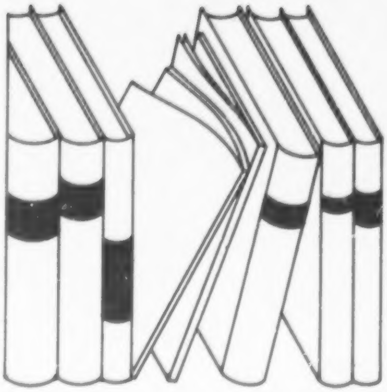
That may explain why commercial networks have concentrated so much on cultural affairs when it comes to cable. CBS and ABC each have cultural channels. And NBC's parent, RCA Corp., recently reached agreement with the BBC to broadcast the British network's programs over the wire.

In short, if the programming problem is not solved, it won't be from lack of trying. "Despite all the weeping and wailing about the junk on television and the lack of good shows," says Fuchs of Kidder, Peabody, "nobody really wants to produce garbage." Will the new stuff, however, really be an improvement over current fare? Those programs, like much of the potential of cable, remain to be seen. ■



The city of tomorrow from a forthcoming all-Disney channel
Despite a $100 million budget, programming won't be totally new; expect some reruns from old network TV shows.

If you are waiting to get your morning newspaper electronically, don't hold your breath.



Publishing

By Thomas O'Donnell and Jon Schriber

YOU KNOW THE prediction: Instead of opening up your morning paper to get the day's news, you punch buttons on the home computer/television set sitting atop your breakfast table and order up the stories that interest you. In seconds, they are projected on a screen or rolling in on a computer printout. That's tomorrow's newspaper, say the enthusiasts—no longer printed on presses and dropped off at your doorstep, but coming into your home electronically.

That vision is now taking some giant steps forward as publishing companies go electronic—although cautiously. Time Inc., for example, is making a major commitment to videotex, the two-way data communications system linked to a computer that allows a user to select individual "pages" of text. Later in 1982 Time will do field tests in San Diego and Orlando, Fla. using its cable subsidiaries in those cities.

Videotex, the new electronic press
Tomorrow's newspaper from a tube?

Viewers will get a 24-hour, 7-day-a-week multichannel system that will display on their TV sets up to 20,000 different pages of news, weather, video games, restaurant guides, movie reviews, educational materials and other information. "We are going after the 'at home' marketplace—moms and dads, kids, teenagers, singles, adults and the elderly," says Sean McCarthy, the director of Time's Video Group Development unit.

Dow Jones is also jumping into videotex in a big way. The company, which publishes the *Wall Street Journal*, is impressed enough by field trials in Texas to attempt a full-fledged operational system in Princeton, N.J. within a year from now. Through a cable system to be built in a three-way joint partnership, it will offer a system similar to Time's, only boasting some 80,000 pages.

One of the most advanced electronic publishing hookups is located in Coral Gables, Fla. There Knight-Ridder and AT&T have just completed a joint experiment in which some 600 Coral Gables residents were offered the chance to select from Sears catalogs, disburse money from bank accounts, order and have groceries delivered and call up news by tapping information into their TV sets—all transmitted over telephone lines.

"We were pleased enough with the results to move forward," says Mort Goldstrom, marketing director for Viewdata Corp. of America, a wholly owned subsidiary of Knight-Ridder. A similar experiment—this time involving AT&T and the publishing subsidiary of CBS—will take place later in 1982 in New Jersey. Another, involving the Times Mirror Co., is set to take place near Long Beach, Calif. this spring. Says Jim Holly, senior vice president and general manager of Times Mirror Videotex Service, about the test: "Every publishing section in Times Mirror is doing something so they can get hands-on experience repackaging their information for electronic distribution."

In Columbus and Cincinnati subscribers can join the most ballyhooed communications network yet: Qube, a two-way cable system that's a joint subsidiary of Warner Communications and American Express. So far, Qube has been a tremendous sales tool in Warner Amex' drive to nail down the right to wire cities. But actually it's little more than a parlor

ATALIE
URIED

The old reliables
People still like the look and feel.

game. Its most significant accomplishment to date: polling viewers on the outcome of the presidential election—just for fun, of course.

Recently, publishing conglomerates have even begun to gobble up cable companies. They had previously been reluctant to do so because of fears they would run into legal problems. Those fears have diminished now that deregulation fever is sweeping Washington.

Media concentration? Although some critics are worried about it, such concern is off the mark. The real problem with electronic publishing is not lack of access but finding enough material to fill the ever-increasing number of channels. In any case, the high price tags that cable companies are now carrying are slowing down the marriage rate.

Today many publishers are renting channels on which they provide their own—often recycled—products. Others are selling their products to cable companies for high fees, especially on business information. "Money is being made offering services to the business and professional market where you can charge more and costs are not consequential," says Ken Noble, an analyst with Paine Webber Mitchell Hutchins. The list includes Times Mirror, McGraw-Hill, Dow Jones, Time Inc., CBS Publishing and the New York Times Co.

Does all this activity mean that newspapers and magazines will go the way of the steam engine and buggy whip? Don't bet on it, at least anytime soon. "We don't think this is a substitute," says Dick Levine, editorial director of Dow Jones' News Retrieval Service. "We think it is an important supplementary way to deliver information."

Why only a supplement? There are several reasons: first, consumer resistance. Readers are obviously very familiar with and enjoy the look and feel of both magazines and newspapers. In addition, they like to subscribe to publications that reinforce their views of the world, even if those publications languish unread on desks, coffee tables and nightstands. Also, reading a newspaper or magazine, where stories are selected for you, is easier than sitting in front of a computer. "And let's face it," says one reader. "You can't take a computer terminal to the john."

And then there's the problem of advertising, or lack of it. Fees charged to cable consumers are a pittance compared with what publishing companies are taking in from advertisers. In 1980 the publishing industry's advertising revenue was up nicely, surpassing $26 billion. Shifting that revenue to a new system involves high costs and high risks that few companies are eager to take.

The final reason that printed publications will be around a while is that the driving force for change stems from fear as much as opportunity. That fear centers on one company in particular: AT&T. In addition to being one of the largest and most cash-rich corporations, AT&T already has lines into virtually every American home. Publishers are more than a little frightened about what would happen if those lines were allowed to carry news and advertising as well as telephone conversations.

Yet despite all obstacles, you may soon get a chance to read an electronic newspaper in addition to the one delivered to your front door. Indeed, you may ultimately have to choose which one you prefer, or decide if you want both. When that happens, the future will have arrived. ■

Publishing

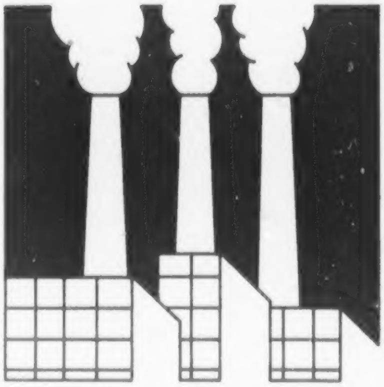
Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Dow Jones	32.0%	1	30.4%	0.1	28.2%	1	29.0%	11.0%	16.7%	6	16.2%	11
Dun & Bradstreet	28.1	2	29.8	0.0	29.7	2	28.1	9.0	13.8	15	15.3	14
Deluxe Check Printers	27.8	3	29.0	0.1	26.2	3	25.7	10.8	15.6	11	17.4	9
Washington Post	25.4	4	15.8	0.2	11.8	6	19.4	4.1	15.3	12	25.7	3
Capital Cities Commun	22.5	5	21.2	0.2	18.8	10	17.7	14.4	22.2	3	23.7	4
Interpublic Group	22.4	6	14.4	0.2	13.1	4	21.3	3.7	16.7	6	17.7	7
Gannett	21.3	7	21.1	0.2	17.7	7	18.8	12.5	23.7	1	17.5	8
McGraw-Hill	21.2	8	21.5	0.0	19.7	8	18.8	8.8	11.5	16	19.6	5
Times Mirror	21.1	9	17.3	0.5	11.6	9	17.8	6.9	16.3	9	19.3	6
A C Nielsen	20.1	10	21.3	0.1	20.3	5	20.1	6.2	18.7	5	15.5	13
Equifax	19.4	11	24.7	0.2	20.4	11	16.7	3.9	9.1	19	5.0	19
Meredith	17.4	12	18.8	0.4	12.5	16	11.9	6.3	14.9	13	31.3	1
Knight-Ridder News	17.2	13	16.5	0.1	14.6	12	15.8	8.3	14.6	14	17.4	10
Time Inc	16.2	14	11.3	0.4	9.0	15	12.7	4.2	23.5	2	15.6	12
New York Times	16.2	15	18.6	0.2	15.1	13	14.2	5.8	10.6	17	12.9	16
R R Donnelley & Sons	15.2	16	14.7	0.0	12.9	14	13.5	6.2	15.7	10	14.1	15
Harcourt Brace Jovan	14.3	17	13.5	0.6	9.4	17	10.2	4.2	16.5	8	7.6	17
Arcata	13.4	18	10.3	0.4	6.4	18	9.5	3.9	18.8	4	26.4	2
Playboy Enterprises	8.8	19	10.6	0.1	9.3	19	7.9	3.4	9.8	18	6.7	18
Macmillan	1.7	20	3.9	0.4	4.1	20	2.4	1.6	3.3	20	–27.8	20
Industry medians	**19.8**		**18.0**	**0.2**	**13.9**		**17.2**	**6.2**	**15.7**		**16.8**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.

These days, managing multicompanies is like managing portfolios. They may wind up considerably less complex—and more profitable.

Multi-industry companies



By Steve Kichen and Laura Rohmann

IS THIS WHAT Royal Little had in mind? "I don't want to make it sound like we're riverboat gamblers, but we keep looking at our cards and saying, 'I'll keep these and deal me three more,' " says Philip Thomas, a vice president at Esmark.

The multi-industry companies are drawing and discarding as never before. Acquisitions for acquisition's sake are no longer in vogue. As James R. Houghton, chief strategic officer of Corning Glass, puts it: "Acquisitions ought to be the result of a strategy and not a strategy in themselves."

Instead, divestiture is in—sometimes coupled with acquisitions to reposition assets. For example, Bendix sold off its forest products division for $425 million and its 20% holdings in Asarco for $340 million, as well as dumping Skagit, a winch and hoist

Multi-industry companies

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Vulcan Materials	22.6%	1	23.1%	0.2	17.1%	4	15.8%	10.4%	14.0%	4	17.6 %	5
Minn Mining & Mfg	22.1	2	17.5	0.1	15.4	1	18.9	9.0	13.3	7	14.3	11
Rollins	21.2	3	21.7	0.1	19.0	3	17.6	9.6	13.6	6	13.3	13
Esmark	21.1	4	14.0	0.6	9.3	10	12.7	2.6	1.9	25	16.0	8
General Electric	20.6	5	19.6	0.1	18.1	2	18.0	6.1	11.6	9	12.4	15
American Brands	20.4	6	20.2	0.3	14.6	6	14.5	5.5	10.3	12	16.6	7
Bendix	20.4	7	36.7	0.4	24.3	5	15.5	10.2	9.7	13	20.2	2
Martin Marietta	18.5	8	18.6	0.1	13.0	7	13.8	6.5	14.2	2	18.4	3
NL Industries	16.6	9	29.3	0.3	21.6	9	12.7	10.4	9.0	17	12.5	14
Crane	15.5	10	13.2	0.8	9.0	20	9.5	3.1	6.6	23	6.4	20
Westinghouse Electric	15.0	11	17.4	0.1	15.4	8	12.8	4.9	5.7	24	18.3	4
Corning Glass Works	14.9	12	13.1	0.2	11.1	11	12.6	7.4	8.2	20	13.7	12
RCA	14.6	13	0.1	0.8	3.8	13	10.8	0.9	9.5	15	7.8	19
PPG Industries	14.2	14	15.5	0.3	11.4	14	10.6	6.9	11.2	10	10.7	18
Sperry	14.0	15	9.4	0.3	6.8	15	10.4	4.0	10.4	11	11.7	16
Union Carbide	13.9	16	13.7	0.3	9.8	18	9.8	6.3	12.7	8	6.0	22
Borg-Warner	13.8	17	13.4	0.1	12.4	12	12.6	5.7	9.1	16	14.7	10
FMC	13.5	18	9.8	0.3	7.6	19	9.8	3.5	9.6	14	11.4	17
Koppers	13.0	19	6.8	0.4	5.6	16	10.0	2.4	14.0	3	5.7	23
Household Intl	12.9	20	7.4	2.0	4.6	24	6.4	1.4	13.9	5	5.0	24
National Distillers	12.3	21	12.6	0.3	10.0	17	9.9	6.3	8.0	21	6.3	21
Genl Tire & Rubber	10.8	22	12.9	0.2	9.8	21	8.3	5.1	7.3	22	4.5	25
Allis-Chalmers	10.2	23	2.9	0.4	3.9	22	8.3	1.2	8.4	19	16.8	6
Olin	8.9	24	6.9	0.4	5.4	23	7.1	2.6	8.5	18	15.6	9
GAF	def	25	16.6	1.6	8.3	25	def	3.0	0.0	26	P–D	26
Dillingham	**		**	NA	**		**	1.9	16.7‡‡	1	28.7‡‡	1
Industry medians	**14.6**		**13.7**	**0.3**	**10.0**		**10.8**	**5.3**	**9.7**		**12.9**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
‡‡Three-year growth. P-D: profit to deficit. def: deficit. **Not available; not ranked. NA: not available.

manufacturer, and United Geophysical Corp. The idea was to shift assets into areas not only with growth potential but with "technology content," proprietary products or market leadership, says a Bendix spokesman. So, while getting out of forest products and metals, the company was getting into machine tools via the $300 million acquisition of Warner & Swasey.

GE, fast moving into factory automation, and Esmark, which has made moves into consumer products, are companies still acquiring—but purposefully, not mindlessly.

Or, restructuring can be divestiture—period. GAF finally took the ax to itself after many disappointing years as a highly diversified manufacturer of chemicals, photo products, graphic arts supplies, flooring and vinyl siding. GAF decided it didn't have the capital to support the needs of all its product lines. So now there are only two, chemicals and roofing materials, says Juliette Moran, vice chairman. "We decided to get down to things we do extremely well," she says, "where we see a long future of growth and improving returns."

Union Carbide put the finishing touches on its multiyear divestiture program that eliminated $1 billion in sales. Dillingham spun off its Hawaiian commercial real estate operations, the proceeds to go to shareholders.

One powerful motivation for restructuring: the threat of takeover. Gulf & Western owns 24% of General Tire's stock, and although G&W Chairman Charles Bluhdorn denies any designs on GT, the company is taking no chances. GT bought 1,025,000 shares of its own stock, or about 4% of shares outstanding, for $24 million. But as a GT executive points out: "One of the best defenses against any takeover is a higher stock price, and one route to that is to spin off the parts." General Tire has hired investment bankers Salomon Brothers and Kidder, Peabody to explore the possibilities.

Restructuring may be in order even for a company with an apparent balance of sales and earnings. Each of Sperry Corp.'s major sectors contributes in profits proportionately about what it contributes in sales. But overall corporate return is less than stunning, especially for a company deriving half its sales from computer equipment. So Sperry is trying to sell its Vickers hydraulics subsidiary.

More housecleaning is probably on the way. Should Borg-Warner reduce its auto exposure? Should NL Industries drop metal fabricating? Should Olin, which spun off Squibb in 1968, Olinkraft in 1974 and its U.S. sporting arms in July, dump housing next?

It's not merely a matter of getting new growth industries, says Union Carbide COO Warren M. Anderson. "There is nothing wrong with a mature industry, however unfashionable," he says, "as long as you have the ability to redeploy its earnings wisely." Rather, managing a multi-industry company these days is more and more like managing a portfolio. Says Esmark's Thomas: "I don't think we'll ever say, 'Now we've finished it.' It's like the way my wife does her hair. It's never quite right." ■

The founding father

Hale and razor sharp at 85, the man who founded the first conglomerate now owns part of a venture-capital firm that is helping companies *de*-conglomerate. Does that tell you something?

If so, the message is *not* that conglomerates and multicompanies are inevitably being dismantled, says former Textron Chairman Royal Little, but that they made some mistakes they are now rectifying.

"Many of them bought too many small businesses that got lost in the shuffle," says Little. "A company doing $6 billion with three or four little divisions doing $10 million really doesn't make much sense. So now they're transferring that money into big divisions with growth potential."

Little founded the first modern conglomerate in 1953 by turning Textron, then a burnt-out synthetic-yarn company, into a diversified maker of auto cushioning and airborne radar antennas. "We bought companies that had fantastic growth—companies that were market leaders in small industries," he recalls—Homelite, Bell Helicopter, Speidel and Gorham. But along the way he made his share of mistakes: Acquisitions such as Coquille Plywood and MB Manufacturing never lived up to expectations.

Royal Little
Helping de-conglomerate.

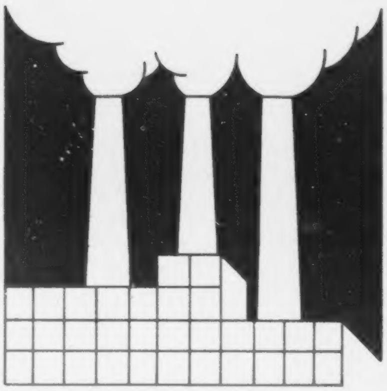
While at Textron, Little set up Narragansett Capital, a venture-capital firm that has helped companies such as Rockwell International, Consolidated Foods, Bendix and even Textron divest almost two dozen divisions through leveraged buyouts.

Little still leads a life that would tire out most 20-year-olds. Although no longer actively involved in Narragansett management, he sits on the boards of a half-dozen companies in which Narragansett has a stake and shares a consulting firm, Lonsdale Enterprises, with Jim Robison, a long-time business associate.

The current wave of big divestitures is about over, Little says: "Big conglomerates aren't buying little companies anymore. What we are seeing now is mostly the result of decisions made in the Sixties, when too many companies bought everything that came along."

What about today's mega-acquisitions, though? There's no end in sight, says Little: "This is one of the results of double-digit inflation, which makes it so costly today to go out and start something new. I think it's inherent in the state of the country that there are going to be so many big mergers—much bigger than anything I was involved in."—**S.K.**

For a decade, they've been a dirty word on Wall Street. Now they're being quietly rehabilitated.



Conglomerates

By Eamonn Fingleton

HAVING BEEN A DIRTY WORD on Wall Street for over a decade, conglomerates are being gradually rehabilitated. The new luster is dramatically reflected in stock prices. A recent Merrill Lynch survey showed that conglomerates shares outperformed the S&P's 500 by an astonishing 140% in the last six years. That means, of course, that institutions are back, typically increasing their holdings an average 30% between mid-1980 and mid-1981. Some favorites: City Investing, ITT, Lear Siegler and Whittaker. Institutional holdings of City Investing, for instance, have shot from less than 10% of total shares outstanding to 28% over the past year.

What's all the excitement about? Simply that the conglomerates have been delivering the goods in profits performance. The FORBES Yardsticks figures show that conglomerates' return on equity averaged 15.2% over the latest 12 months, compared with 14.7% for all industries. Only once in the last five years, in 1979, did the conglomerates sector's ROE slip below that of the all-industry average. To some extent, of course, this superior profitability reflects a moderately higher amount of low-interest debt leverage. But most conglomerates have been trimming back their debt steadily over the past ten years, so this factor is far less important than it used to be.

Conglomerates also have done surprisingly well in earnings growth. Their five-year growth averaged 13.8%, compared with 12.5% for industry generally. They must be doing something right. What is it?

Merrill Lynch's conglomerates analyst, Carol Neves, maintains it is the vindication of the original conglomerate theory—a formula for getting the most out of assets while giving the stockholder another line of defense against cyclical downturn. If the managers of individual operating units do not perform, the holding company can step in to fire them more swiftly than most boards of directors.

That, of course, was all fine theory. But as so many investors discovered a decade ago, the theory breaks down if the holding company launches an overly ambitious acquisition program. Most of the frenetic acquisitors of the 1960s, such as LTV, Litton and Whittaker, have long since learned that there is no substitute for good management, and that uncontrolled expansion is bad management in anyone's book.

Those lessons learned, the conglomerate can work quite well. At United Technologies, for example, profits were up 18% to $342 million in the nine months through September. Defense businesses such as Norden radar systems, Sikorsky helicopters and Pratt & Whitney military aircraft engines have boomed, cushioning the company's losses in its Mostek semiconductor division.

W.R. Grace & Co., Peter Grace's chemical-to-natural-resources company, is an even better example. Pretax profits were up 27%, to $279.6 million in the first three quarters, as demand for Grace's oilfield services and other natural resource businesses boomed, outweighing a big setback in agricultural chemicals operations caused by continued depressed prices for converted phosphate fertilizers.

But even broadly diversified conglomerates can get caught by simultaneous cyclical downturns. Look at American Standard, long one of the most consistently profitable conglomerates. After a decade of rising earnings in the 1970s, everything went wrong in 1981. The housing slump demolished profits from bathroom fittings and other building products. Meanwhile, the company's big interests in truck airbrakes and plumbing supplies in Europe were clobbered as the slump there coincided—unusually—with recession at home. Net income in the nine months to September totaled $97 million, down 17% on 1980.

American Standard's Executive Vice President for finance, John L. Grant, says: "In the past we thought we were insulated from recession because the cycles in our different businesses did not normally coincide. We have had a lot to deal with this year."

Still, most conglomerates are expected to be a haven this year in the face of recession. Many have investments in defense industries, so they are benefiting from Reagan's big military buildup. Others are relying on the continuing boom in oil exploration and other energy-related fields to pull the fat out of the fire.

Of the 17 conglomerates that Merrill Lynch follows regularly, the firm expects 15 to show earnings increases next year. On average, Merrill Lynch's list should show a nifty 12% rise in earnings, which compares with a fall of 4% Merrill projects for industry generally. An impressive performance if it comes about.

The company-by-company picture also looks surprisingly cheerful. New Jersey-based Kidde, with interests ranging from Farberware cookware to Globe Security Systems, is in good shape, with earnings expected to rise more than 10% in 1982. Its automotive and aircraft components business will remain depressed, but its Grove cranes division will keep profits buoyed up. That is because many of its cranes are used in the oil industry.

One of the most impressive performances is likely to come from Whittaker Corp., a Los Angeles conglomerate ranging from medicine to metals. By some forecasts, earnings are expected to rise over 30%. Here energy, at one remove, will again be the dynamo, since much of the company's medical revenues come from health care programs in Saudi Arabia and Abu Dhabi. Business is booming as the sheikhs recycle oil revenues to improve health care. Whittaker's metal interests are also well placed because many of them are geared to energy-related applications.

Whittaker's chief financial officer, Harry Derbyshire, reckons 1982 will give the company a chance to demonstrate the classic advantages of the conglomerate structure.

"Being a conglomerate gives the corporate people the chance to allocate resources to the parts of the business that have the most potential," he says. "If we were a monolithic company like Chrysler, we would be confined by one business. We have far more room to maneuver." ■

Conglomerates

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Teledyne	35.4%	1	28.2%	0.4	19.8%	1	24.2%	12.3%	11.0%	**24**	44.0%	**3**
IU International	28.7††	2	24.6	0.9	11.9	**17**	11.2††	2.9	6.8‡	**40**	24.8‡	**10**
Lear Siegler	25.4	3	21.7	0.4	14.9	5	15.3	5.0	15.0	**16**	28.8	**8**
American Standard	25.2	4	21.3	0.4	14.6	3	17.2	5.4	8.0	**38**	29.1	**6**
Raytheon	24.2	5	23.9	0.1	22.8	2	22.4	5.8	15.9	**13**	24.3	**11**
Northwest Industries	21.5	6	24.9	0.5	15.8	**11**	13.0	7.0	19.8	**8**	18.9	**15**
TRW	21.0	7	21.5	0.3	13.4	**9**	13.6	4.9	13.1	**20**	14.5	**18**
Avco	20.4	**8**	10.8	2.5	5.8	**37**	7.2	4.0	9.1	**31**	37.3	**4**
Alco Standard	20.0	**9**	18.8	0.4	13.6	**8**	14.8	2.3	16.5	**12**	17.6	**16**
Whittaker	20.0	**10**	22.4	0.5	21.0	**5**	15.3	4.0	11.1	**23**	64.1	**2**
Bangor Punta	19.9	**11**	22.1	0.7	12.8	**16**	11.4	5.3	20.3	**6**	D–P	
National Svc Inds	19.3	**12**	20.6	0.1	18.1	**4**	16.7	5.9	9.4	**30**	13.8	**21**
Scott & Fetzer	19.0	**13**	15.1	0.4	11.6	7	15.2	4.3	14.7	**17**	9.4	**27**
Transamerica	18.5	**14**	15.3	1.2	9.1	**15**	11.5	5.4	11.2	**22**	22.6	**12**
United Technologies	18.0	**15**	16.9	0.3	12.4	**10**	13.3	3.3	23.0	**5**	14.2	**19**
Ogden	17.4	**16**	16.1	1.1	8.4	**29**	8.8	2.7	7.0	**39**	12.1	**24**
Tenneco	16.9	**17**	16.4	0.7	9.3	**23**	9.9	5.1	18.0	**9**	7.6	**31**
Gulf & Western Inds	16.8	**18**	14.5	0.8	9.8	**27**	9.0	5.1	15.4	**15**	11.1	**25**
Rockwell Intl	16.8	**19**	17.1	0.2	13.7	**12**	12.5	4.2	9.5	**29**	12.2	**23**
White Consolidated	16.8	**20**	16.4	0.5	11.4	**21**	10.6	3.4	13.1	**19**	7.6	**32**
Chromalloy American	16.7	**21**	12.7	0.7	8.5	**24**	9.6	3.2	13.4	**18**	8.3	**28**
Litton Industries	16.3	**22**	27.5	0.2	20.2	**14**	11.5	6.3	6.7	**41**	111.2	**1**
City Investing	16.2	**23**	12.5	1.2	8.3	**25**	9.1	2.0	17.0	**11**	19.6	**14**
Signal Companies	15.9	**24**	13.4	0.4	11.4	**13**	11.7	4.0	17.4	**10**	20.3	**13**
W R Grace	15.3	**25**	19.3	0.6	12.0	**20**	10.6	5.4	10.7	**26**	7.9	**29**
Kidde	15.3	**26**	15.1	0.6	10.1	**22**	9.9	3.5	15.6	**14**	14.2	**20**
Figgie International	14.0	**27**	15.3	0.8	8.6	**34**	8.0	2.9	8.3	**35**	13.7	**22**
Textron	13.3	**28**	7.7	0.3	6.7	**18**	11.1	2.6	8.6	**34**	4.9	**36**
Penn Central	12.9††	**29**	12.7	0.4	8.9	**26**	9.1††	5.0	62.9‡‡	**1**	28.9‡‡	**7**
Dayco	12.8	**30**	4.8	1.1	4.0	**38**	7.0	0.9	10.7	**25**	5.3	**34**
Amfac	12.7	**31**	12.8	0.7	8.1	**35**	8.0	2.8	10.4	**27**	5.3	**33**
Berkshire Hathaway	12.4†	**32**	9.7	0.2	9.3	**19**	10.9†	8.5	25.3	**4**	33.4	**5**
Allegheny Int'l	12.3	**33**	10.6	0.8	7.4	**36**	7.4	3.4	9.6	**28**	7.9	**30**
SCM	11.5	**34**	10.1	0.5	7.8	**31**	8.6	2.5	8.1	**36**	15.7	**17**
AMF	11.4	**35**	3.7	0.4	3.6	**32**	8.3	1.3	6.4	**42**	–0.9	**40**
Intl Tel & Tel	11.0	**36**	9.2	0.4	8.2	**28**	8.9	3.3	9.1	**32**	3.9	**37**
Sybron	10.9	**37**	9.4	0.4	7.5	**30**	8.8	3.0	8.0	**37**	3.2	**38**
Zapata	10.7	**38**	24.2	1.3	11.9	**39**	6.6	13.0	12.9	**21**	5.1	**35**
IC Industries	10.6	**39**	11.0	0.6	6.4	**40**	6.5	3.0	19.9	**7**	10.8	**26**
Brunswick	10.4	**40**	12.6	0.5	9.0	**33**	8.1	4.4	9.0	**33**	1.7	**39**
Singer	6.9	**41**	15.2	0.7	8.7	**41**	5.7	1.7	2.5	**44**	D–P	
U S Industries	3.5	**42**	def	0.2	def	**42**	3.9	def	–3.7	**45**	–14.8	**41**
Allied Products	1.3	**43**	0.3	1.1	2.2	**43**	2.7	0.1	3.5	**43**	–26.3	**42**
Fuqua Industries	**		5.7	0.9	6.5		**	1.7	32.5	**2**	26.9	**9**
LTV	**		45.3	1.9	19.4		**	4.9	30.7‡‡	**3**	D–P	
Industry medians	**16.3**		**15.2**	**0.5**	**9.3**		**9.9**	**4.0**	**11.1**		**13.8**	
All-industry medians	**15.5**		**14.7**	**0.4**	**10.9**		**11.1**	**4.5**	**14.0**		**12.5**	

Note: Explanation of Yardsticks calculations on page 51.
†Four-year average. ††Three-year average. ‡Four-year growth. ‡‡Three-year growth. D-P: deficit to profit; not ranked. def: deficit. **Not available; not ranked.

How do the middle-ranking companies in FORBES' industry groups and subgroups compare with one another in sales and profit growth?

Who's where in the industry groups

MORE THAN THE TRACKS of recession are visible in the tables on the next two pages. These tables, rounding up growth and profitability trends for the 105 industry groups and subgroups surveyed in this issue, show that their median return on the stockholders' invested capital in the most recent 12 months was just 14.7%. As this is written, that was less than the 15% yield you could get, virtually risk-free, on a long-term bond issued by Ma Bell. If you would seek to know why takeover fever seems to rage unabated in the U.S. these days, look no further. Why invest capital at today's interest rates for such rewards, and take on all the other risks of building from the ground up as well, when you can pick up existing assets elsewhere at fractions of their replacement cost?

As for the present recession, its impact is plain in the latest 12-month figures for returns on equity. By that measure, the profitability of 36 of the 46 main industry groups was running below their results for the five-year average. Of the 46 groups, only 4—tobacco, natural gas, beverages and brokerage—were showing profits significantly ahead of the five-year average.

Have a care, though, as you peruse the group numbers. In tracking their performance, FORBES uses *median* returns rather than averages to avoid distortions that could result at either end of a roster of companies—distortions caused by windfall profits at the top or staggering losses at the bottom. The medians, in effect, show the experience of companies in the middle ranks of each group. To measure one company against another within a group is what the Yardsticks are for.

Thus, it may seem surprising that one of the groups hardest hit by the present recession appears to be the computer industry. Its median return on equity in the latest 12 months was just 13.7%, down sharply from the 19% return it averaged in the preceding five years. But what a range of performances is obscured by that median. As the computer industry Yardsticks show *(see p. 144)*, there was Wang with a return on equity in the latest 12 months of 25% and Burroughs with an all but imperceptible ROE of 0.8% (which includes a fourth-quarter writeoff). Even so, the medians tend to shed light on all. Wang's 25% return is signficantly below the 30% ROE it averaged for the five years.

Note, too, that of the 46 main groups, 22 are further divided into 59 subgroups. We do this, of course, to show how a company stacks up against others in the same sector of a complex business. But it also helps to make clear how fortunes may differ from one sector to another within the same industry. Thus, one of the few groups doing significantly better in the latest 12 months than its five-year average is natural gas. But note that middling producers and pipeliners of natural gas are showing considerably more improvement in their returns on equity than are the distributors.

Industry medians

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Industry	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Broadcasting	**22.4%**	**1**	**16.1%**	**0.3**	**13.4%**	**1**	**17.9%**	**6.0%**	**14.3%**	**21**	**23.7%**	**1**
Drugs	**21.3**	**2**	**16.9**	**0.1**	**13.6**	**8**	**15.5**	**8.5**	**12.2**	**31**	**11.0**	**30**
Tobacco	**20.6**	**3**	**23.6**	**0.5**	**14.1**	**13**	**13.6**	**6.3**	**15.4**	**15**	**16.6**	**10**
Office equipment and services	**20.3**	**4**	**17.5**	**0.3**	**13.4**	**7**	**15.7**	**3.9**	**18.0**	**8**	**17.8**	**7**
Office equipment	18.8	–	12.1	0.3	9.5	–	14.7	3.5	15.4	–	11.0	–
Office services	25.1	–	19.1	0.2	15.1	–	18.9	3.9	24.3	–	24.8	–
Insurance	**19.8**	**5**	**14.7**	**0.1**	**13.3**	**4**	**16.4**	**7.4**	**14.4**	**20**	**18.9**	**5**
Life and accident	13.8	–	13.2	0.1	11.9	–	13.4	9.7	11.3	–	12.4	–
Fire and casualty	22.8	–	17.2	0.2	15.6	–	21.7	7.5	16.0	–	26.7	–
Multiple line	20.0	–	14.9	0.1	13.5	–	16.8	6.5	14.1	–	22.0	–
Publishing	**19.8**	**5**	**18.0**	**0.2**	**13.9**	**2**	**17.2**	**6.2**	**15.7**	**14**	**16.8**	**9**
Construction, mining, transport equip	**19.7**	**7**	**17.1**	**0.4**	**14.4**	**12**	**13.7**	**6.5**	**14.2**	**23**	**15.6**	**15**
Construction and materials handling	13.0	–	10.4	0.4	8.6	–	9.9	4.1	12.6	–	5.6	–
Mining and drilling equipment	21.7	–	25.1	0.3	19.9	–	15.4	10.5	27.1	–	24.4	–
Rail equipment	12.6	–	12.9	0.7	5.6	–	7.1	3.3	12.4	–	6.9	–
Energy	**19.5**	**8**	**18.3**	**0.4**	**11.5**	**15**	**12.8**	**4.4**	**21.0**	**3**	**16.5**	**11**
International oils	19.4	–	19.9	0.2	16.1	–	14.6	4.4	17.0	–	16.4	–
Other oil and gas	20.2	–	18.1	0.5	11.2	–	12.9	4.4	22.9	–	16.7	–
Coal	9.7	–	4.7	0.4	3.8	–	6.6	1.2	10.7	–	–6.3	–
Toiletries and cosmetics	**19.5**	**8**	**15.4**	**0.2**	**11.9**	**9**	**15.1**	**7.1**	**12.9**	**30**	**12.0**	**25**
Health care	**19.2**	**10**	**19.2**	**0.2**	**13.1**	**14**	**13.4**	**6.3**	**20.2**	**5**	**21.8**	**2**
Electronics	**19.1**	**11**	**16.1**	**0.2**	**13.2**	**6**	**16.3**	**6.2**	**17.9**	**9**	**21.6**	**3**
Computers	**19.0**	**12**	**13.7**	**0.2**	**11.6**	**4**	**16.4**	**6.3**	**23.0**	**2**	**21.3**	**4**
Aerospace and defense	**18.6**	**13**	**18.0**	**0.2**	**13.0**	**10**	**14.4**	**3.9**	**15.2**	**16**	**18.4**	**6**
Electrical equipment	**18.3**	**14**	**17.8**	**0.1**	**16.2**	**3**	**16.5**	**6.3**	**15.2**	**16**	**15.0**	**17**
Contractors	**18.1**	**15**	**16.9**	**0.4**	**12.9**	**18**	**12.2**	**2.5**	**17.9**	**9**	**15.2**	**16**
Heavy construction	16.2	–	16.9	0.3	12.9	–	12.4	1.9	16.9	–	12.6	–
Home-building	17.1	–	9.2	0.5	6.0	–	9.9	2.4	16.4	–	26.7	–
Oilfield drillers	20.7	–	27.9	0.6	17.9	–	12.5	13.6	18.3	–	21.5	–
Leisure	**17.7**	**16**	**12.6**	**0.5**	**10.2**	**21**	**11.4**	**4.6**	**13.6**	**25**	**13.7**	**20**
Hotels and gambling	20.3	–	18.1	1.1	11.0	–	9.9	5.0	13.5	–	20.3	–
Entertainment	20.8	–	20.8	0.3	12.8	–	17.1	7.0	16.4	–	16.3	–
Recreation	12.3	–	9.6	0.3	8.2	–	11.1	4.4	12.9	–	8.2	–
Specialty retailers	**17.6**	**17**	**17.3**	**0.6**	**11.6**	**15**	**12.8**	**2.5**	**17.3**	**11**	**16.9**	**8**
Drug chains	19.1	–	18.6	0.6	12.5	–	14.2	2.4	20.3	–	18.6	–
Fast food chains	15.7	–	12.2	1.0	8.0	–	11.1	1.5	18.1	–	11.7	–
Other specialists	16.1	–	15.6	0.4	10.6	–	13.3	2.7	14.2	–	15.7	–
Industrial equipment and services	**17.1**	**18**	**15.4**	**0.3**	**12.3**	**11**	**13.8**	**5.1**	**13.7**	**24**	**14.9**	**18**
Production equipment	17.1	–	15.1	0.4	10.9	–	14.0	5.1	14.2	–	14.1	–
Specialty equipment and materials	16.8	–	14.6	0.3	12.3	–	13.5	4.9	13.6	–	13.4	–
Industrial services	19.0	–	23.7	0.5	15.9	–	13.7	6.0	17.2	–	22.8	–
Chemicals	**16.6**	**19**	**14.7**	**0.4**	**10.0**	**23**	**11.1**	**5.4**	**13.5**	**26**	**9.9**	**38**
Diversified	13.1	–	13.3	0.4	9.6	–	9.8	4.9	12.6	–	7.9	–
Specialized	18.2	–	15.9	0.4	11.2	–	13.0	6.7	15.0	–	15.3	–
Natural gas	**16.5**	**20**	**19.1**	**0.7**	**9.4**	**40**	**8.7**	**4.7**	**20.6**	**4**	**10.5**	**34**
Producers and pipeliners	18.3	–	21.1	0.7	11.2	–	9.8	5.0	23.0	–	12.7	–
Pipeliners and distributors	18.3	–	22.4	0.5	11.0	–	9.6	5.4	23.8	–	13.1	–
Distributors	13.5	–	14.7	0.8	8.8	–	7.7	4.0	19.6	–	8.4	–
Conglomerates	**16.3**	**21**	**15.2**	**0.5**	**9.3**	**36**	**9.9**	**4.0**	**11.1**	**38**	**13.8**	**19**
Branded foods	**15.9**	**22**	**15.7**	**0.4**	**11.6**	**19**	**11.9**	**3.4**	**11.9**	**35**	**11.8**	**26**
Diversified	16.1	–	15.2	0.4	11.3	–	11.6	3.2	11.3	–	11.9	–
Specialized	15.9	–	17.0	0.3	12.7	–	12.3	3.7	12.1	–	11.6	–
Truckers and shippers	**15.5**	**23**	**15.4**	**0.5**	**9.4**	**33**	**10.1**	**3.9**	**14.7**	**18**	**11.4**	**27**
Truckers	22.2	–	18.9	0.5	8.7	–	10.6	3.7	14.8	–	14.2	–
Other surface transportation	14.7	–	14.5	0.5	11.7	–	10.0	6.7	8.2	–	8.8	–

Note: Explanation of Yardsticks calculations on page 51. def: deficit

Industry medians

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Industry	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Wholesalers	**15.4%**	**24**	**14.7%**	**0.5**	**11.2%**	**20**	**11.5%**	**1.2%**	**14.3%**	**21**	**12.2%**	**24**
Food distributors	14.9	–	12.8	0.7	8.7	–	10.6	0.8	14.7	–	10.6	–
Other wholesalers	17.6	–	18.7	0.4	13.2	–	12.8	1.9	14.3	–	15.2	–
Food processors	**15.3**	**25**	**14.0**	**0.5**	**11.2**	**23**	**11.1**	**1.4**	**8.6**	**46**	**11.3**	**28**
Meatpackers	13.9	–	13.3	1.0	10.3	–	10.1	0.9	7.9	–	6.8	–
Agricultural commodities	15.3	–	14.8	0.4	12.3	–	11.4	3.0	11.3	–	12.9	–
Household goods	**15.2**	**26**	**13.9**	**0.4**	**9.9**	**23**	**11.1**	**3.8**	**10.1**	**42**	**10.1**	**35**
Appliances	14.2	–	14.4	0.5	9.1	–	10.8	2.9	8.2	–	8.6	–
Housewares and furnishings	11.3	–	9.7	0.7	7.5	–	9.5	1.9	9.3	–	11.6	–
Housekeeping products	17.4	–	15.6	0.2	11.4	–	13.6	5.4	11.8	–	10.1	–
Supermarkets	**15.0**	**27**	**14.8**	**0.9**	**10.2**	**32**	**10.2**	**1.2**	**13.1**	**28**	**15.7**	**13**
Major chains	18.1	–	17.3	1.0	10.4	–	10.6	1.1	14.0	–	13.8	–
Regional chains	14.4	–	13.2	0.9	9.6	–	10.1	1.2	12.7	–	15.7	–
Financial services	**14.9**	**28**	**11.9**	**0.7**	**8.1**	**36**	**9.9**	**4.0**	**14.6**	**19**	**16.2**	**12**
Beverages	**14.7**	**29**	**18.9**	**0.3**	**11.9**	**26**	**10.8**	**4.9**	**12.2**	**31**	**9.3**	**42**
Forest products	**14.7**	**29**	**11.9**	**0.4**	**8.6**	**33**	**10.1**	**4.7**	**11.8**	**36**	**9.9**	**38**
Building materials	**14.6**	**31**	**9.8**	**0.4**	**7.6**	**30**	**10.5**	**3.8**	**10.3**	**41**	**10.7**	**32**
Lumber	14.5	–	7.8	0.5	6.0	–	9.7	3.6	12.8	–	9.3	–
Cement and gypsum	15.2	–	11.4	0.7	7.5	–	10.7	5.2	9.9	–	14.9	–
Other building materials	12.5	–	9.7	0.4	7.9	–	8.4	2.9	9.6	–	8.8	–
Building equipment	17.0	–	14.0	0.4	12.6	–	14.5	5.4	10.3	–	18.2	–
Multi-industry companies	**14.6**	**31**	**13.7**	**0.3**	**10.0**	**26**	**10.8**	**5.3**	**9.7**	**43**	**12.9**	**22**
Banks	**14.4**	**33**	**14.1**	**0.4**	**11.5**	**22**	**11.3**	**5.6**	**18.3**	**7**	**11.0**	**30**
New York banks	14.4	–	14.1	0.5	12.0	–	11.3	3.8	19.7	–	9.7	–
Regional banks	14.5	–	14.0	0.3	11.3	–	11.7	5.9	17.6	–	11.4	–
Telecommunications	**14.3**	**34**	**14.5**	**0.9**	**7.5**	**44**	**7.1**	**10.3**	**11.6**	**37**	**8.2**	**43**
Auto suppliers	**13.9**	**35**	**12.4**	**0.4**	**9.8**	**33**	**10.1**	**3.3**	**10.6**	**39**	**10.6**	**33**
Tire and rubber	6.9	–	8.6	0.5	6.9	–	6.0	2.4	8.3	–	1.8	–
Parts makers	15.3	–	14.1	0.4	10.1	–	12.2	3.9	13.0	–	13.6	–
Brokerage	**13.8**	**36**	**17.6**	**0.5**	**15.5**	**17**	**12.7**	**4.5**	**30.8**	**1**	**11.3**	**28**
Nonferrous metals	**13.8**	**36**	**11.6**	**0.4**	**9.0**	**31**	**10.4**	**4.0**	**13.5**	**26**	**9.5**	**41**
Autos and trucks	**13.4**	**38**	**7.3**	**0.3**	**6.0**	**26**	**10.8**	**2.2**	**12.1**	**34**	**7.2**	**44**
Railroads	**12.7**	**39**	**13.2**	**0.6**	**8.5**	**43**	**8.0**	**6.3**	**13.1**	**28**	**15.7**	**13**
Packaging	**12.5**	**40**	**10.1**	**0.5**	**8.0**	**38**	**9.1**	**3.0**	**12.2**	**31**	**10.0**	**36**
General retailers	**12.1**	**41**	**10.6**	**0.7**	**7.9**	**41**	**8.6**	**2.2**	**9.7**	**43**	**9.6**	**40**
Department stores	12.0	–	12.1	0.6	8.0	–	8.8	2.6	10.0	–	8.0	–
Discount and variety stores	12.9	–	8.7	0.9	6.9	–	8.5	1.4	9.6	–	11.9	–
Steel	**12.1**	**41**	**13.9**	**0.4**	**10.6**	**42**	**8.3**	**4.4**	**10.4**	**40**	**4.9**	**45**
Electric utilities	**11.8**	**43**	**12.6**	**0.9**	**6.6**	**45**	**6.6**	**10.4**	**15.8**	**13**	**2.7**	**46**
Northeast	11.5	–	12.2	0.9	6.3	–	6.6	9.1	12.9	–	3.3	–
Midwest	11.8	–	11.9	0.9	6.2	–	6.5	11.9	15.1	–	2.1	–
Southeast	12.1	–	13.2	0.9	6.6	–	6.4	10.2	16.1	–	2.9	–
Southwest	14.0	–	14.3	0.9	7.4	–	7.6	12.0	19.8	–	6.0	–
West	11.2	–	13.3	0.9	7.4	–	6.8	10.9	20.3	–	1.2	–
The thrifts	**11.8**	**43**	**def**	**0.5**	**0.9**	**29**	**10.6**	**def**	**19.8**	**6**	**10.0**	**36**
Apparel	**11.0**	**45**	**11.3**	**0.3**	**9.7**	**38**	**9.1**	**3.3**	**8.8**	**45**	**13.2**	**21**
Clothing	12.4	–	12.8	0.4	10.1	–	9.7	3.3	7.7	–	15.5	–
Textiles	9.1	–	9.4	0.3	7.3	–	7.0	2.7	8.7	–	7.9	–
Shoes	23.5	–	23.0	0.3	16.4	–	16.3	4.4	13.3	–	19.0	–
Airlines	**9.0**	**46**	**5.3**	**1.7**	**3.9**	**46**	**5.9**	**1.2**	**16.5**	**12**	**12.7**	**23**
All-industry medians	**15.5**	**–**	**14.7**	**0.4**	**10.9**	**–**	**11.1**	**4.5**	**14.0**	**–**	**12.5**	**–**

Note: Explanation of Yardsticks calculations on page 51. def: deficit

How do companies rank by the measure that counts most—the amount of return in net profits for every dollar of capital that goes in?

Who's where in profitability

THE MOST COMMONLY USED MEASURE OF profitability for a company is return on equity. The *ultimate* measure is return on total capital—equity plus debt. Each company in the FORBES Annual Report on American Industry is ranked both ways in the following table.

Both measures are needed because return on equity alone can sometimes be misleading. If a company has had significant losses in the recent past, for example, stockholders' equity will be much smaller—so its earnings, as a percentage of that smaller base, will appear unusually high as they start to recover. You can tell which companies these may be by looking at return on total capital.

A highly leveraged company, too, can often wring a spectacular return on equity out of a modest return on total capital. In many cases, that is a measure of effective financial management. But in these days of wildly volatile interest rates, anyone leaning heavily on leverage might be wise to consider a change in financial style or there will be sleepless nights ahead.

New to the list and—talk about smashing entrances—leading all the rest in both return on equity and return on total capital is NIKE, the footwear people, whose dashing "Swoosh" trademark may be seen wherever joggers and racewalkers hang out. In recent years its ROE has been averaging 101.4%—an astonishing return for which a word of explanation is in order.

NIKE was privately held until Lehman Brothers Kuhn Loeb brought it public late in 1980, and, with 1981 sales of $458 million and net profits of $26 million, it is no giant among the companies rounded up in the apparel group *(see p. 216)*. For NIKE, FORBES' calculations of average returns went back only four years, rather than five, and were based on stockholders' equity *before* the public offering, which brought an additional $27 million in equity into the company. The effect of that additional capital was reflected only partially for the latest 12 months.

Note the difference between its average returns and its returns for the latest 12 months. The slide in ROE from 101.4% on average to 58.6% for the latest 12 months doesn't reflect a slide from the astonishing to the merely spectacular. Rather, that is a measure of the impact of the additional capital now in the business. As the bigger equity base is applied to earnings in subsequent quarters, the returns on equity will look less dazzling.

Who's where in profitability

Company	Return on equity			Return on capital		
	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
NIKE	101.4%	1	58.6%	84.4%	1	48.2%
L B Foster	96.1	2	78.7	15.2	235	22.5
Subaru of America	65.8	3	57.9	62.9	2	46.4
Consol Petroleum	62.4	4	10.1	**		7.5
Tosco	52.5	5	def	12.6	393	def
Reliance Group	50.3	6	16.4	16.5	180	10.9
GEICO	49.4	7	35.0	23.5	37	19.2
Columbia Pictures	47.8	8	20.8	21.2	68	12.8
Tandy	47.0	9	40.8	27.6	19	31.1
Savin	44.1	10	def	34.2	5	def
Charter	41.7	11	2.3	22.2	53	4.3
Alexander & Alexander	39.2	12	28.8	42.4	3	28.9
Federal Express	39.0	13	28.2	25.2	27	18.2
Standard Oil Ohio	38.6	14	42.6	17.1	165	23.1
Mitchell Energy & Dev	38.1	15	37.6	12.7	385	12.3
Resorts Intl	37.4	16	0.6	28.9	14	2.0
GEO International	37.2	17	51.3	27.1	22	41.5
Shaklee	36.8	18	28.1	24.9	30	21.3
SmithKline	36.4	19	35.8	31.8	9	32.2
First Executive	36.3	20	36.2	20.3	85	24.1
Phibro	36.0	21	25.3	28.5	15	19.6
Schlumberger	35.5	22	37.8	32.8	8	35.6
Servicemaster Inds	35.5	23	36.4	36.5	4	36.8
Teledyne	35.4	24	28.2	24.2	34	19.8
Emery Air Freight	35.2	25	30.9	33.5	6	28.7
Superior Oil	34.8	26	21.3	12.2	418	13.3
Food Town Stores	34.6	27	32.1	28.1	17	26.5
Metromedia	34.2	28	39.1	18.5	124	21.5
Worthington Inds	33.7	29	26.6	21.8	58	16.9
Mission Insurance	33.6	30	26.7	27.7	18	23.9
Computer Sciences	33.3	31	18.0	17.4	153	12.8
American Home Products	33.0	32	32.8	33.0	7	32.7
Pioneer	32.9	33	36.9	17.4	152	22.0
Howell	32.8	34	14.3	20.5	81	12.1
Dow Jones	32.0	35	30.4	29.0	13	28.2
Nucor	31.8	36	18.2	23.4	39	15.2
Chic & North Western	31.4	37	39.0	7.9	765	10.9
Texas Oil & Gas	31.4	38	36.6	15.9	202	17.1
G Heileman Brewing	31.2	39	30.7	23.2	40	21.4
Levi Strauss	31.2	40	22.3	27.2	21	19.8
Marsh & McLennan Cos	31.2	41	20.8	31.8	10	15.4
Avon Products	30.8	42	25.9	30.0	11	24.5
Western Co No Amer	30.6	43	35.6	13.0	359	16.2
Wal-Mart Stores	30.6	44	27.9	20.6	77	18.2
Marion	30.3	45	18.1	16.8	171	10.9
Todd Shipyards	30.3	46	27.0	14.7	257	17.8
Wang Laboratories	30.2	47	25.0	19.7	95	16.1
Occidental Petroleum	30.1	48	27.9	15.0	242	16.3
Storage Technology	30.0	49	24.8	19.0	107	12.9
Parsons	29.7	50	27.7	23.5	38	24.2
Dorchester Gas	29.7	51	25.1	18.8	116	15.3
Kelly Services	29.4	52	26.6	29.4	12	26.4
SCOA Industries	29.4	52	23.6	17.6	148	15.0
Trinity Industries	29.1	54	32.6	22.1	54	22.8
United Energy Resources	29.1	55	29.1	19.0	108	19.8
Palm Beach	29.0	56	25.7	19.5	99	17.0
Super Valu Stores	28.9	57	26.1	18.7	120	18.6
Warner Communications	28.9	58	23.7	19.5	97	19.7
Fairchild Industries	28.8	59	21.9	20.5	79	13.9
Ashland Oil	28.8	60	6.4	15.1	239	6.5
James River Corp Va	28.8	61	22.8	15.7	210	14.6
IU International	28.7	62	24.6	11.2	499	11.9
RLC	28.3	63	13.6	10.8	526	8.7
Entex	28.2	64	21.8	12.8	303	11.3
Dun & Bradstreet	28.1%	65	29.8%	28.1%	16	29.7%
Toys "R" Us	28.1	65	19.4	16.1	196	17.4
Pennzoil	27.8	67	23.4	13.4	330	13.0
Deluxe Check Printers	27.8	68	29.0	25.7	24	26.2
Melville	27.7	69	23.5	25.9	23	22.5
Petrie Stores	27.6	70	22.7	27.5	20	22.6
Gelco	27.6	71	31.7	8.0	762	9.1
Service Merchandise	27.5	72	18.3	19.2	105	11.2
Best Products	27.3	73	15.3	20.4	84	9.1
Kellogg	27.3	73	26.1	22.6	50	21.9
E F Hutton Group	27.1	75	28.1	22.9	46	21.2
EG&G	27.0	76	28.3	23.1	41	25.4
AMP	27.0	77	20.6	23.1	43	18.3
Parker Drilling	27.0	78	32.4	16.6	178	23.4
Dover	26.7	79	28.3	23.1	44	25.3
Boeing	26.6	80	23.4	22.8	49	19.4
Intel	26.2	81	10.2	25.1	28	7.7
U S Air	26.2	82	22.6	12.2	425	12.6
Baldwin-United	26.1	83	27.2	16.3	187	16.9
Ohio Casualty	26.1	84	18.3	25.5	25	18.2
Humana	26.0	85	34.9	10.4	569	11.8
Houston Natural Gas	25.8	86	27.1	15.4	225	17.0
Lubrizol	25.8	86	17.8	23.9	35	15.9
Cross & Trecker	25.7	88	26.5	23.7	36	24.2
Natl Convenience Stores	25.7	89	26.6	14.7	258	13.8
Bally Manufacturing	25.5	90	23.8	18.9	111	17.3
Nalco Chemical	25.5	90	25.9	24.7	31	25.2
Hoover Universal	25.5	92	16.3	14.0	293	11.7
Louisiana Land	25.5	92	23.5	20.6	77	19.4
Square D	25.5	92	25.0	20.6	76	19.9
Caesars World	25.5	95	30.0	10.1	595	12.2
Maytag	25.5	96	20.9	24.4	32	19.5
Washington Post	25.4	97	15.8	19.4	101	11.8
Lear Siegler	25.4	98	21.7	15.3	228	14.9
Old Republic Intl	25.4	99	19.8	25.5	26	16.9
Natomas	25.3	100	23.8	17.3	156	17.0
Piedmont Aviation	25.3	100	27.5	10.2	581	11.9
MAPCO	25.3	102	18.8	13.4	329	9.7
Geosource	25.3	103	32.8	22.8	47	33.6
American Standard	25.2	104	21.3	17.2	160	14.6
Snap-On Tools	25.2	105	19.5	21.4	63	16.9
Baker International	25.2	106	30.9	17.9	135	22.2
Hilton Hotels	25.1	107	23.7	18.1	129	18.8
Pioneer Hi-Bred Intl	25.1	108	26.7	22.0	56	22.8
Parker Pen	25.1	109	14.0	22.9	45	13.4
USF&G	25.0	110	13.0	25.1	29	13.1
Petrolane	24.9	111	27.4	17.7	144	20.2
Fort Howard Paper	24.8	112	23.9	20.4	83	18.0
Big V Supermarkets	24.8	113	23.5	16.2	192	15.9
Merck	24.7	114	21.6	21.3	66	19.6
Consol Freightways	24.7	115	36.3	19.5	100	27.1
Keystone Foods	24.7	116	20.8	14.5	269	11.5
Missouri Pacific	24.7	116	21.3	11.6	458	10.9
Loews	24.6	118	23.6	11.5	469	12.0
Cooper Industries	24.6	119	21.6	21.6	59	21.2
Foster Wheeler	24.4	120	22.0	20.3	86	19.6
Albertson's	24.4	121	21.5	13.7	308	13.2
Frontier Airlines	24.3	122	26.0	15.6	212	15.3
Fluor	24.2	123	22.0	18.9	110	14.1
Lucky Stores	24.2	124	19.8	14.9	251	11.7
Raytheon	24.2	124	23.9	22.4	51	22.8
ConAgra	24.2	126	24.2	15.7	208	15.6
Crum & Forster	24.1	127	21.6	23.1	41	21.2
Dillon Companies	24.1	128	25.7	18.0	133	16.7

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**Not available; not ranked. def: deficit.

Who's where in profitability

Company	Return on equity			Return on capital			Company	Return on equity			Return on capital		
	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months		5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
McDonald's	24.1%	129	22.2%	13.6%	322	13.0%	Esmark	21.1%	193	14.0%	12.7%	388	9.3%
Sun Chemical	24.0	130	19.9	14.9	250	11.6	Chesebrough-Pond's	21.1	194	22.6	17.1	163	17.7
Circle K	24.0	131	25.6	14.7	258	14.5	Times Mirror	21.1	195	17.3	17.8	140	11.6
Masco	23.9	132	22.4	14.5	267	12.6	Harris Corp	21.1	196	20.8	15.9	203	13.7
Kay	23.9	133	def	12.9	362	0.2	Genuine Parts	21.1	197	21.0	20.5	80	20.2
Belco Petroleum	23.7	134	25.1	18.5	125	19.6	Amdahl	21.1	198	9.6	24.2	33	10.1
Philip Morris	23.7	135	23.6	13.6	315	13.3	U S Home	21.1	198	11.5	10.7	534	6.0
American Intl Group	23.6	136	20.6	22.3	52	19.8	Ametek	21.0	200	20.4	16.1	196	14.3
Electronic Data Systems	23.6	137	26.6	21.3	64	22.5	Cincinnati Milacron	21.0	201	15.0	14.4	271	11.6
Dayton-Hudson	23.6	138	14.9	17.5	150	12.0	TRW	21.0	201	21.5	13.6	320	13.4
Edison Bros Stores	23.6	139	19.1	19.7	93	16.2	American Family	21.0	203	10.9	19.7	93	9.5
Std Comml Tobacco	23.6	140	21.0	19.4	101	17.7	Blue Bell	20.9	204	11.6	18.0	132	10.3
Freeport-McMoran	23.5	141	30.9	16.9	169	19.1	Cameron Iron Works	20.9	205	24.6	14.2	285	16.9
Coca-Cola	23.4	142	22.8	21.9	57	20.1	CBS	20.9	205	15.2	17.9	136	12.4
Kaneb Services	23.3	143	17.3	13.8	302	11.6	Oneok	20.9	207	19.9	11.3	482	10.6
PACCAR	23.2	144	14.7	21.6	59	13.9	Aetna Life & Casualty	20.9	208	14.6	18.6	122	13.6
Halliburton	23.0	145	23.9	18.7	121	18.9	Cullum Companies	20.8	209	22.6	11.6	458	12.9
MGM Grand Hotels	22.9	146	19.4	**		11.1	Longs Drug Stores	20.8	210	17.9	20.8	73	17.9
Waste Management	22.9	147	23.7	15.5	217	17.5	Weis Markets	20.8	211	20.1	20.8	74	20.1
Northrop	22.9	148	9.6	19.8	91	8.9	Crown Central Petroleum	20.8	212	def	12.8	374	def
Kemper	22.8	149	15.1	22.8	48	15.2	General Cinema	20.8	212	22.3	13.1	349	12.9
Dean Foods	22.8	150	25.6	16.2	191	16.5	Revlon	20.7	214	14.7	17.0	166	11.6
Cabot	22.8	151	21.2	15.0	243	14.6	Alcan Aluminium	20.7	215	14.7	13.5	325	9.9
Centex	22.8	152	11.4	9.9	612	7.2	Golden West Finl	20.7	215	3.2	16.8	171	3.5
General Re	22.8	152	20.1	22.1	54	19.8	Bausch & Lomb	20.7	217	15.4	16.9	170	13.8
Leaseway Transportation	22.7	154	18.9	10.6	541	10.1	Santa Fe Intl	20.7	218	29.7	12.5	399	17.9
IBM	22.7	155	21.0	21.5	61	18.9	Winn-Dixie Stores	20.6	219	19.7	18.0	131	17.3
Vulcan Materials	22.6	156	23.1	15.8	205	17.1	American Express	20.6	220	17.9	17.2	160	16.0
Sigmor	22.5	157	18.4	16.0	199	12.5	General Electric	20.6	221	19.6	18.0	130	18.1
Tyler	22.5	157	25.1	16.2	193	17.5	R J Reynolds Inds	20.6	222	20.3	14.7	260	14.1
Intl Flavors & Frag	22.5	159	16.5	21.0	71	15.7	Wyman-Gordon	20.5	223	28.3	16.4	182	22.8
Capital Cities Commun	22.5	160	21.2	17.7	143	18.8	Supermarkets General	20.4	224	18.0	10.5	550	10.3
Ryder System	22.5	161	19.3	9.8	626	8.6	Atlantic Richfield	20.4	225	21.5	13.3	337	13.5
Abbott Laboratories	22.5	162	23.1	17.9	137	18.9	Hughes Tool	20.4	225	24.5	17.2	158	20.9
Amer Broadcasting	22.4	163	16.1	17.9	138	13.4	American Brands	20.4	227	20.2	14.5	270	14.6
Interpublic Group	22.4	164	14.4	21.3	64	13.1	W W Grainger	20.4	227	19.0	20.0	88	18.8
PepsiCo	22.4	165	22.5	16.1	196	14.9	Avco	20.4	229	10.8	7.2	817	5.8
Holly Corp	22.3	166	11.2	16.1	195	7.9	Bendix	20.4	229	36.7	15.5	215	24.3
Phillips Petroleum	22.3	166	19.9	17.2	158	16.1	CBI Industries	20.4	229	21.7	16.5	179	17.7
Roadway Express	22.2	168	23.2	21.0	70	22.0	Farmers Group	20.4	232	17.9	19.5	98	17.8
Bristol-Myers	22.2	169	21.7	20.4	82	20.2	Pitney Bowes	20.3	233	14.9	14.3	283	10.6
Minn Mining & Mfg	22.1	170	17.5	18.9	112	15.4	Amerada Hess	20.2	234	11.4	14.3	279	8.0
Hanover Insurance	22.1	171	18.3	21.3	67	18.2	Pay Less Drug NW	20.2	235	18.6	14.2	287	10.1
Sundstrand	22.1	171	23.0	14.4	275	15.8	Amsted Industries	20.2	236	14.3	19.7	95	13.9
CNA Financial	22.0	173	11.1	11.8	446	8.4	Mercantile Texas	20.1	237	20.2	15.0	241	16.0
Niagara Frontier Services	21.9	174	14.8	15.5	218	10.2	INA	20.1	238	32.0	17.3	155	25.9
Schering-Plough	21.9	175	15.1	21.0	72	13.7	A C Nielsen	20.1	238	21.3	20.1	87	20.3
Combined Internatl	21.8	176	21.0	21.4	62	21.0	Caterpillar Tractor	20.1	240	17.9	15.3	226	14.8
Briggs & Stratton	21.7	177	9.7	21.2	69	9.3	Eastman Kodak	20.0	241	21.2	18.9	109	20.0
Handy & Harman	21.7	178	21.1	14.4	273	14.7	Alco Standard	20.0	242	18.8	14.8	256	13.6
Republic New York	21.7	178	23.9	14.2	287	15.5	Whittaker	20.0	243	22.4	15.3	228	21.0
Smith International	21.7	180	25.1	18.2	127	19.9	Hyster	20.0	244	9.8	16.4	183	8.7
Rite Aid	21.7	181	20.2	19.2	106	18.3	Republic Finl Svcs	20.0	244	14.9	15.9	203	13.0
Auto Data Processing	21.5	182	19.1	18.9	112	15.1	Murphy Oil	20.0	246	25.1	12.0	430	16.0
Emerson Electric	21.5	183	22.1	19.7	92	19.6	Tektronix	19.9	247	15.8	17.3	154	13.0
Eli Lilly	21.5	183	20.8	20.8	74	19.4	Natl Semiconductor	19.9	248	12.1	15.4	222	8.5
Data General	21.5	185	12.4	19.3	103	10.0	Farm House Foods	19.9	249	17.3	7.7	777	3.7
Northwest Industries	21.5	186	24.9	13.0	357	15.8	Idle Wild Foods	19.9	249	18.0	16.0	200	14.9
Upjohn	21.3	187	18.2	15.5	219	13.0	Lockheed	19.9	249	17.7	9.7	638	10.2
Gannett	21.3	188	21.1	18.8	114	17.7	Denny's	19.9	252	17.8	11.8	446	9.9
Revco D S	21.3	189	19.7	17.7	142	16.3	Panhandle Eastern	19.9	253	24.3	10.2	582	11.4
Consolidated Papers	21.2	190	19.4	18.4	126	16.7	Southern Union	19.9	254	20.3	10.4	565	9.0
Rollins	21.2	191	21.7	17.6	146	19.0	Bangor Punta	19.9	255	22.1	11.4	479	12.8
McGraw-Hill	21.2	192	21.5	18.8	117	19.7	Blount	19.8	256	13.8	12.4	410	8.5

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Who's where in profitability

Company	Return on equity			Return on capital			Company	Return on equity			Return on capital		
	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months		5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Colonial Penn Group	19.8%	**257**	5.5%	19.8%	**90**	5.5%	InterNorth	18.6%	**320**	19.1%	10.2%	**579**	10.0%
Gates Learjet	19.8	**258**	19.7	16.9	**168**	15.8	Curtice-Burns	18.5	**322**	17.2	10.1	**595**	8.1
American Stores	19.8	**259**	15.4	16.0	**200**	8.8	Hershey Foods	18.5	**323**	21.7	14.9	**247**	14.8
Engelhard	19.7	**260**	20.0	17.6	**148**	18.0	Mallinckrodt	18.5	**324**	15.4	14.0	**297**	13.0
St Paul Companies	19.7	**261**	13.0	17.7	**145**	12.9	Martin Marietta	18.5	**324**	18.6	13.8	**303**	13.0
Flowers Industries	19.7	**262**	19.6	12.5	**404**	12.7	Southwestern Pub Svc	18.5	**324**	19.2	8.0	**758**	8.3
Combustion Engineering	19.7	**263**	21.3	12.9	**362**	13.8	Transamerica	18.5	**327**	15.3	11.5	**469**	9.1
Standard Oil Calif	19.7	**264**	21.9	15.7	**208**	17.3	Perkin-Elmer	18.5	**328**	17.8	16.7	**175**	15.3
Avnet	19.7	**265**	16.3	17.5	**151**	15.2	Illinois Tool Works	18.5	**329**	15.2	17.9	**134**	14.8
Standard Oil Indiana	19.5	**266**	20.7	14.1	**290**	14.7	Tesoro Petroleum	18.5	**329**	26.4	11.7	**452**	19.2
Procter & Gamble	19.5	**267**	18.6	15.1	**239**	14.2	Getty Oil	18.4	**331**	20.5	14.8	**255**	15.4
Texas Commerce Bshs	19.5	**268**	22.1	18.1	**128**	20.9	Earle M Jorgensen	18.4	**331**	19.7	15.6	**211**	16.7
Hewlett-Packard	19.5	**269**	19.8	18.8	**117**	18.9	Milton Bradley	18.3	**333**	9.6	14.9	**248**	8.7
Exxon	19.4	**270**	23.0	14.6	**263**	16.5	Shell Oil	18.3	**334**	20.4	13.1	**351**	13.5
Equifax	19.4	**271**	24.7	16.7	**176**	20.4	Texas Instruments	18.3	**335**	10.7	17.8	**141**	10.0
Big Three Industries	19.4	**272**	21.8	14.8	**253**	16.2	Rohr Industries	18.2	**336**	12.6	8.2	**745**	9.6
Carpenter Technology	19.4	**273**	17.8	17.8	**139**	16.4	Campbell Taggart	18.2	**337**	18.1	13.7	**306**	14.0
Johnson & Johnson	19.4	**273**	17.7	18.8	**115**	16.9	Universal Leaf	18.2	**338**	18.7	16.4	**185**	13.2
Pan Am World Airways	19.3	**275**	32.4	9.0	**696**	14.0	Safeco	18.2	**339**	12.0	14.6	**265**	10.3
M/A-Com	19.3	**276**	24.4	19.9	**89**	26.6	Host International	18.2	**340**	6.6	11.7	**456**	5.3
Mead	19.3	**276**	14.3	11.8	**443**	9.4	Parker-Hannifin	18.1	**341**	17.1	14.4	**273**	13.3
National Svc Inds	19.3	**278**	20.6	16.7	**174**	18.1	Valley National	18.1	**342**	18.1	17.0	**167**	19.3
Dow Chemical	19.3	**279**	14.7	11.7	**453**	8.9	Digital Equipment	18.1	**343**	16.7	16.4	**184**	15.5
Dresser Industries	19.3	**279**	19.0	15.4	**224**	15.7	Malone & Hyde	18.1	**344**	12.1	15.3	**231**	9.2
Turner Construction	19.2	**281**	25.0	19.3	**104**	25.7	Sysco	18.0	**345**	20.1	13.6	**317**	15.4
Arkla	19.2	**282**	22.4	10.0	**604**	11.0	United Technologies	18.0	**345**	16.9	13.3	**340**	12.4
United States Shoe	19.2	**283**	22.4	14.9	**248**	17.8	Diamond Shamrock	18.0	**347**	8.0	10.8	**530**	5.5
Dexter	19.2	**284**	16.4	14.3	**278**	11.4	Univar	18.0	**348**	23.9	10.9	**518**	13.6
Brown-Forman Dist	19.2	**285**	24.6	14.6	**262**	18.6	Northwest Energy	18.0	**349**	19.5	9.2	**680**	10.8
Natl Medical Entrprs	19.2	**285**	19.3	10.0	**603**	11.9	Sonoco Products	18.0	**350**	19.2	14.9	**251**	14.9
Air Prods & Chems	19.2	**287**	18.9	11.1	**502**	10.0	Stauffer Chemical	18.0	**350**	17.9	12.3	**413**	12.5
CPC International	19.2	**287**	18.5	15.6	**214**	15.2	U S Bancorp	18.0	**350**	17.5	14.1	**292**	12.5
Federal-Mogul	19.2	**287**	17.1	14.5	**266**	10.2	Union Camp	18.0	**353**	17.6	12.7	**386**	11.9
Hospital Corp of Am	19.1	**290**	19.4	9.5	**657**	9.1	Colt Industries	17.9	**354**	17.4	11.9	**434**	12.2
VF	19.1	**290**	23.0	16.2	**190**	19.9	ENSERCH	17.9	**355**	24.0	10.2	**582**	13.5
Jack Eckerd	19.1	**292**	19.1	18.5	**123**	18.3	Intl Minerals & Chem	17.9	**355**	16.6	12.1	**427**	11.0
NCR	19.0	**293**	13.7	15.0	**244**	12.3	Barnes Group	17.9	**357**	10.8	14.3	**281**	9.8
Reading & Bates	19.0	**293**	24.9	12.0	**430**	14.9	Sun Company	17.9	**357**	15.8	12.5	**402**	9.2
Kimberly-Clark	19.0	**295**	15.4	14.4	**271**	11.9	Fleming Companies	17.9	**359**	18.4	12.6	**393**	12.7
Anixter Brothers	19.0	**296**	27.8	14.1	**291**	21.3	Zurn Industries	17.9	**360**	18.0	12.8	**377**	12.9
Chubb	19.0	**297**	15.6	17.6	**147**	15.0	Anheuser-Busch Cos	17.8	**361**	20.0	10.8	**523**	10.8
American General	19.0	**298**	15.7	15.3	**227**	14.4	Thiokol	17.8	**362**	14.8	13.1	**355**	11.7
Scott & Fetzer	19.0	**298**	15.1	15.2	**236**	11.6	Central Tel & Utils	17.8	**363**	18.4	7.7	**784**	7.6
Mobil	18.9	**300**	18.4	13.7	**308**	13.4	Nabisco Brands	17.8	**364**	18.8	**		13.4
Moore Corp	18.9	**301**	18.2	15.1	**237**	15.3	Marsh Supermarkets	17.7	**365**	20.0	10.5	**555**	10.7
General Mills	18.9	**302**	20.1	14.4	**276**	15.5	R H Macy	17.7	**366**	18.9	12.0	**428**	13.2
Marathon Oil	18.8	**303**	18.9	11.7	**453**	11.7	Raychem	17.7	**367**	16.7	16.3	**188**	14.8
General Instrument	18.8	**304**	19.4	15.2	**234**	16.8	Kaiser Alum & Chem	17.7	**368**	13.6	10.3	**572**	9.1
So Natural Resources	18.8	**305**	19.2	10.7	**536**	11.3	Marriott	17.7	**369**	24.5	9.4	**658**	10.9
Whirlpool	18.8	**305**	19.7	16.6	**177**	18.2	Texas Gas Transmn	17.6	**370**	21.9	9.7	**638**	12.1
Athlone Industries	18.8	**307**	24.7	10.0	**598**	13.6	Walgreen	17.6	**371**	19.5	12.6	**396**	14.7
Johnson Controls	18.8	**308**	14.7	15.5	**215**	11.6	Wheelabrator-Frye	17.6	**372**	13.2	14.0	**295**	9.6
Tecumseh Products	18.7	**309**	19.0	18.7	**119**	19.0	Foremost-McKesson	17.6	**373**	16.1	10.8	**533**	11.3
Union Oil California	18.7	**310**	21.1	13.0	**361**	14.8	Witco Chemical	17.5	**374**	14.0	11.9	**438**	9.1
United Telecom	18.7	**310**	21.5	8.1	**753**	8.9	First City Bancorp	17.5	**375**	20.7	16.2	**189**	19.1
MCA	18.7	**312**	11.1	17.1	**164**	10.2	Amer Medical Intl	17.5	**376**	19.2	10.7	**537**	15.4
Heck's	18.7	**313**	16.2	13.5	**328**	10.4	Stanadyne	17.5	**377**	18.6	14.7	**261**	15.2
Nordstrom	18.7	**313**	19.1	13.3	**338**	11.6	Hannaford Bros	17.5	**378**	21.3	10.1	**588**	10.4
Texas Eastern	18.7	**315**	19.3	9.7	**636**	11.1	Ogden	17.4	**379**	16.1	8.8	**704**	8.4
Transco Companies	18.7	**315**	20.3	7.6	**789**	8.5	Cessna Aircraft	17.4	**380**	20.5	14.5	268	17.9
First Intl Bshs	18.6	**317**	20.6	14.9	**245**	15.8	Republic of Texas	17.4	**381**	18.1	14.3	**283**	15.5
E-Systems	18.6	**318**	14.5	17.3	**157**	14.7	Baxter Travenol Labs	17.4	**382**	16.4	13.4	**336**	13.1
Xerox	18.6	**318**	17.5	15.7	**207**	15.1	Economics Laboratory	17.4	**382**	15.6	13.6	**315**	10.8
Clorox	18.6	**320**	17.0	15.1	**238**	14.4	General Foods	17.4	384	14.7	13.9	**299**	11.6

*For some companies (as noted in the individual Yardsticks tables) the average return is for less than five years.

**Not available; not ranked.

Who's where in profitability

	Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Meredith	17.4%	**385**	18.8%	11.9%	**436**	12.5%
Morse Shoe	17.3	**386**	11.2	15.2	**233**	9.2
Quaker Oats	17.3	**387**	17.5	12.3	**415**	12.5
Dana	17.3	**388**	11.8	13.8	**301**	9.9
Valero Energy	17.3	**389**	35.5	8.7	**709**	17.2
United States Gypsum	17.3	**390**	11.6	12.4	**408**	9.0
BankAmerica	17.2	**391**	13.1	13.4	**331**	10.7
Harvey Hubbell	17.2	**391**	18.1	16.7	**173**	16.9
Nashua	17.2	**391**	9.3	13.2	**347**	8.3
Business Men's Assur	17.2	**394**	14.3	15.3	**230**	14.7
Knight-Ridder News	17.2	**395**	16.5	15.8	**206**	14.6
Norton	17.1	**396**	15.5	14.0	**294**	12.3
Pillsbury	17.1	**396**	16.0	11.4	**475**	10.1
Ryan Homes	17.1	**398**	8.6	15.4	**223**	8.1
Carnation	17.1	**399**	15.7	14.0	**295**	13.3
Provident Life & Acc	17.1	**399**	14.1	17.1	**162**	14.1
Seaway Food Town	17.1	**401**	17.7	10.9	**512**	10.7
Harsco	17.1	**402**	16.1	13.9	**298**	12.3
Travelers	17.0	**403**	13.5	16.2	**194**	13.3
Evans Products	17.0	**404**	5.3	11.2	**496**	4.9
Pfizer	17.0	**404**	13.2	13.1	**352**	10.7
Norris Industries	17.0	**406**	14.0	15.6	**213**	13.0
Alcoa	17.0	**407**	12.6	11.5	**472**	9.4
Beatrice Foods	17.0	**408**	17.5	13.7	**307**	13.4
Emhart	17.0	**408**	12.6	14.3	**277**	11.2
H J Heinz	17.0	**410**	19.6	13.1	**355**	15.2
Universal Foods	17.0	**411**	15.8	13.4	**334**	11.9
Archer Daniels Midland	16.9	**412**	20.1	12.9	**367**	15.4
Transway Intl	16.9	**413**	13.3	13.7	**308**	11.7
Tenneco	16.9	**414**	16.4	9.9	**624**	9.3
Willamette Inds	16.9	**414**	9.1	12.4	**411**	6.9
Connecticut General	16.8	**416**	15.2	16.3	**186**	14.9
Gulf & Western Inds	16.8	**417**	14.5	9.0	**696**	9.8
Browning-Ferris Inds	16.8	**418**	20.3	10.9	**519**	13.1
Gillette	16.8	**418**	12.6	12.7	**389**	9.7
Insilco	16.8	**418**	16.1	10.4	**562**	10.2
Rockwell Intl	16.8	**421**	17.1	12.5	**401**	13.7
White Consolidated	16.8	**422**	16.4	10.6	**545**	11.4
Ethyl	16.7	**423**	13.4	10.8	**532**	9.6
Chromalloy American	16.7	**424**	12.7	9.6	**643**	8.5
Fred Meyer	16.7	**425**	14.3	11.1	**504**	10.5
NL Industries	16.6	**426**	29.3	12.7	**386**	21.6
H H Robertson	16.6	**427**	23.8	12.8	**376**	18.0
Cone Mills	16.6	**428**	11.3	14.8	**253**	10.6
E I du Pont	16.6	**428**	15.8	12.8	**381**	13.3
Security Pacific	16.6	**430**	16.7	13.7	**305**	12.6
Ideal Basic Inds	16.5	**431**	11.2	10.9	**515**	5.4
Morrison-Knudsen	16.5	**432**	14.7	12.9	**364**	13.0
Pacific Resources	16.5	**432**	10.4	9.5	**651**	6.3
General Signal	16.5	**434**	16.9	15.3	**231**	15.7
Southland	16.4	**435**	16.5	10.0	**601**	10.1
Motorola	16.4	**436**	15.8	14.6	**264**	13.3
USLIFE	16.4	**437**	14.8	13.6	**320**	12.0
Gordon Jewelry	16.4	**438**	15.0	13.7	**311**	12.1
First Interstate	16.3	**439**	15.9	13.1	**349**	12.8
Litton Industries	16.3	**440**	27.5	11.5	**466**	20.2
Dennison Mfg	16.3	**441**	16.2	13.8	**300**	14.0
Suburban Propane Gas	16.3	**442**	17.1	9.9	**609**	10.6
Time Inc	16.2	**443**	11.3	12.7	**384**	9.0
Lowe's Companies	16.2	**444**	10.1	12.8	**381**	8.8
Pay'n Save	16.2	**444**	12.3	12.0	**428**	8.6
New York Times	16.2	**446**	18.6	14.2	**289**	15.1
Bucyrus-Erie	16.2	**447**	9.6	12.8	**375**	8.3
City Investing	16.2	**447**	12.5	9.1	**685**	8.3
American Petrofina	16.2%	**449**	15.2%	11.4%	**476**	11.2%
Stone Container	16.2	**449**	20.6	10.1	**593**	12.4
Delta Air Lines	16.2	**451**	13.0	9.1	**687**	8.0
Ralston Purina	16.2	**451**	15.4	11.6	**458**	11.4
Black & Decker	16.1	**453**	11.4	13.3	**339**	9.5
A E Staley Mfg	16.1	**454**	26.3	11.3	**487**	19.3
Wm Wrigley Jr	16.1	**455**	13.5	15.4	**221**	13.1
Owens-Corning Fbrgls	16.1	**456**	8.6	12.4	**406**	6.7
K mart	16.0	**457**	9.9	11.8	**441**	7.0
Dean Witter Reynolds	16.0	**458**	25.4	16.5	**180**	25.6
Merrill Lynch	16.0	**459**	19.7	13.6	**319**	16.3
NICOR	16.0	**459**	15.3	8.5	**729**	8.1
Gulf United	16.0	**461**	15.1	13.1	**352**	11.5
Empire	15.9	**462**	7.9	10.1	**590**	5.5
Seafirst	15.9	**462**	15.4	14.3	**279**	13.3
Sterling Drug	15.9	**462**	15.1	14.3	**281**	13.3
Purolator	15.9	**465**	25.8	12.1	**426**	17.5
Continental Illinois	15.9	**466**	15.5	13.2	**341**	12.2
Gerber Products	15.9	**466**	17.0	14.2	**286**	14.8
Raymond Intl	15.9	**466**	11.0	12.3	**412**	9.5
Consolidated Foods	15.9	**469**	17.1	12.2	**421**	11.2
Signal Companies	15.9	**469**	13.4	11.7	**455**	11.4
Stanley Works	15.9	**471**	14.2	12.9	**367**	11.7
SEDCO	15.8	**472**	27.9	9.9	**616**	16.8
Georgia-Pacific	15.8	**473**	9.1	10.1	**585**	6.0
Brown Group	15.7	**474**	17.3	12.7	**391**	14.1
Michigan National	15.7	**474**	12.4	12.5	**403**	10.0
Beckman Instruments	15.7	**476**	12.3	13.1	**354**	10.2
Crocker National	15.7	**477**	12.0	11.3	**482**	9.5
Peoples Drug Stores	15.7	**477**	16.3	11.8	**439**	12.4
Central Steel & Wire	15.7	**479**	19.3	15.5	**220**	19.5
Echlin Manufacturing	15.7	**480**	7.8	12.2	**421**	7.8
Dart & Kraft	15.6	**481**	14.9	13.0	**360**	12.5
Scovill	15.6	**481**	9.9	11.6	**457**	8.8
Tyson Foods	15.6	**483**	4.7	10.9	**515**	4.0
Butler Manufacturing	15.6	**484**	10.9	12.9	**364**	9.5
Morton-Norwich	15.6	**485**	16.4	11.4	**474**	11.9
Texaco	15.6	**486**	18.6	11.5	**468**	13.8
Industrial National	15.5	**487**	17.8	10.5	**548**	10.7
Midland-Ross	15.5	**488**	11.3	12.0	**432**	8.5
Crane	15.5	**489**	13.2	9.5	**649**	9.0
Moore McCormack Res	15.5	**489**	14.5	9.1	**689**	8.1
Reeves Brothers	15.5	**489**	17.5	12.9	**364**	14.8
Gifford-Hill	15.5	**492**	14.6	11.3	**490**	10.6
Minnesota Gas	15.5	**493**	14.2	9.4	**663**	9.4
George A Hormel	15.5	**494**	12.5	13.7	**311**	11.3
Nash Finch	15.4	**495**	13.9	12.6	**392**	11.1
Pneumo	15.4	**495**	19.4	11.0	**509**	10.8
Crown Cork & Seal	15.4	**497**	10.1	13.4	**334**	9.1
Yellow Freight System	15.4	**497**	9.8	11.2	**494**	6.8
W R Grace	15.3	**499**	19.3	10.6	**543**	12.0
Heublein	15.3	**500**	17.7	11.3	**482**	13.3
Joy Manufacturing	15.3	**500**	20.3	13.2	**346**	17.0
Northwest Bancorp	15.3	**502**	14.0	11.9	**437**	10.8
Kroger	15.3	**503**	15.3	10.6	**540**	10.5
Seaboard Allied Milling	15.3	**503**	11.8	10.8	**526**	8.5
DEKALB AgResearch	15.3	**505**	10.8	11.8	**441**	8.4
Weyerhaeuser	15.3	**506**	7.6	10.9	**519**	6.3
Kidde	15.3	**507**	15.1	9.9	**620**	10.1
Ball Corp	15.3	**508**	14.7	10.3	**576**	8.7
Warnaco	15.3	**508**	19.1	10.5	**546**	13.7
Wells Fargo	15.2	**510**	13.8	11.7	**449**	10.6
Amer Hospital Supply	15.2	**511**	14.5	12.8	**371**	12.6
R R Donnelley & Sons	15.2	**511**	14.7	13.5	**323**	12.9

*For some companies (as noted in the individual Yardsticks tables) the average return is for less than five years.

Who's where in profitability

	Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
TECO Energy	15.2%	**513**	16.9%	6.8%	**843**	7.3%
First Bank System	15.1	**514**	13.9	12.5	**404**	11.3
Alleghany	15.1	**515**	17.4	13.2	**343**	11.9
Westvaco	15.1	**515**	16.0	10.3	**577**	11.0
Honeywell	15.1	**517**	15.1	11.7	**449**	11.6
Flickinger	15.1	**518**	16.3	12.5	**400**	12.9
Deere	15.0	**519**	10.8	11.9	**434**	8.8
Westinghouse Electric	15.0	**520**	17.4	12.8	**379**	15.4
Ruddick	15.0	**521**	15.1	10.1	**592**	9.6
Campbell Soup	15.0	**522**	13.6	13.6	**318**	11.7
J P Morgan	15.0	**522**	13.5	12.8	**379**	12.1
Rexnord	15.0	**524**	9.9	12.2	**416**	7.5
Giant Food	15.0	**525**	9.2	9.7	**638**	6.5
Louisiana-Pacific	15.0	**526**	4.7	9.9	**620**	3.6
Fieldcrest Mills	14.9	**527**	8.8	10.8	**525**	7.0
McCormick	14.9	**527**	15.6	11.3	**488**	10.7
Ingersoll-Rand	14.9	**529**	15.1	11.1	**502**	10.2
Eaton	14.9	**530**	8.1	10.1	**597**	7.0
North Amer Philips	14.9	**531**	16.4	10.2	**579**	10.7
Maryland Cup	14.9	**532**	15.5	10.5	**552**	11.1
Arvin Industries	14.9	**533**	10.6	9.7	**633**	7.9
Corning Glass Works	14.9	**533**	13.1	12.6	**397**	11.1
Rainier Bancorp	14.9	**533**	14.0	13.2	**343**	12.3
Mercantile Stores	14.8	**536**	15.8	11.7	**449**	12.3
Lone Star Industries	14.8	**537**	11.8	9.9	**609**	7.8
Purex Industries	14.8	**538**	14.1	11.3	**490**	11.4
Mercantile Bancorp	14.7	**539**	14.6	11.5	**472**	11.6
Wetterau	14.7	**539**	8.1	11.5	**465**	6.2
Federated Dept Stores	14.7	**541**	13.7	12.4	**409**	10.8
Bankers Trust N Y	14.7	**542**	17.2	11.6	**463**	13.8
Gt Northern Nekoosa	14.7	**543**	13.6	10.5	**553**	9.7
Copperweld	14.7	**544**	21.8	10.8	**523**	15.5
Interco	14.7	**544**	14.0	13.0	**358**	11.3
Masonite	14.6	**546**	10.2	12.7	**389**	9.0
Signode	14.6	**546**	10.2	12.3	**414**	8.6
Eagle-Picher Inds	14.6	**548**	10.2	11.5	**469**	7.6
Peoples Energy	14.6	**548**	13.7	8.1	**753**	8.2
Coastal Corp	14.6	**550**	def	7.9	**773**	3.7
Becton, Dickinson	14.6	**551**	14.9	12.4	**407**	13.1
Central & South West	14.6	**551**	14.8	7.4	**799**	7.4
General Dynamics	14.6	**551**	14.4	11.3	**492**	10.1
Penn Traffic	14.6	**554**	11.1	11.6	**458**	8.5
RCA	14.6	**554**	0.1	10.8	**529**	3.8
American Greetings	14.6	**556**	13.5	10.9	**512**	9.6
Newmont Mining	14.6	**556**	11.6	10.4	**562**	9.0
Zale	14.6	**556**	15.9	12.8	**371**	14.5
Continental Corp	14.6	**559**	7.7	13.5	**324**	7.5
Fischbach	14.6	**559**	16.9	11.5	**466**	13.6
National City	14.5	**561**	10.4	14.9	**245**	9.4
NCNB	14.5	**561**	14.2	10.4	**565**	10.8
Ferro	14.5	**563**	9.2	12.8	**378**	7.8
Ampco-Pittsburgh	14.5	**564**	15.8	12.8	**371**	13.4
Ex-Cell-O	14.5	**564**	14.6	13.2	**347**	12.3
Barnett Banks Fla	14.5	**566**	15.9	11.8	**439**	13.4
Culbro	14.5	**566**	81.6	9.3	**672**	37.7
Levitz Furniture	14.5	**568**	9.7	9.6	**647**	7.1
Irving Bank	14.5	**569**	16.8	11.2	**496**	13.0
General Tel & Elec	14.4	**570**	14.3	7.1	**824**	6.7
Manufacturers Hanover	14.4	**571**	14.1	11.3	**481**	11.2
International Paper	14.4	**572**	11.9	10.0	**601**	8.8
NVF	14.4	**573**	11.6	11.9	**433**	8.1
Harcourt Brace Jovan	14.3	**574**	13.5	10.2	**584**	9.4
Continental Tel	14.3	**575**	14.5	7.1	**826**	7.0
Citicorp	14.3	**576**	10.6	9.8	**628**	7.1
Pittsburgh National	14.3%	**577**	14.8%	13.4%	**332**	13.6%
Timken	14.2	**578**	12.7	13.2	**341**	11.8
Waldbaum	14.2	**578**	13.6	9.7	**636**	8.9
PPG Industries	14.2	**580**	15.5	10.6	**541**	11.4
Indianapolis Pwr & Lt	14.2	**581**	11.9	6.9	**836**	6.2
Public Service Indiana	14.2	**581**	12.2	7.2	**815**	6.2
Southern Railway	14.2	**583**	15.6	8.0	**758**	8.8
Thriftimart	14.2	**583**	13.0	11.8	**445**	11.1
First Natl Supermkts	14.2	**585**	13.2	10.2	**578**	8.6
Colgate-Palmolive	14.1	**586**	13.2	12.2	**424**	10.8
Brooklyn Union Gas	14.1	**587**	15.5	8.2	**742**	9.3
Intl Multifoods	14.1	**587**	15.0	10.4	**559**	10.2
Knudsen	14.1	**589**	17.1	8.6	**714**	9.8
Houston Industries	14.1	**590**	13.6	7.6	**794**	7.2
Liquid Air	14.1	**591**	13.2	10.3	**574**	9.3
Allied Maintenance	14.1	**592**	16.4	13.7	**311**	15.9
Foxboro	14.1	**592**	11.7	12.8	**370**	10.9
Wachovia	14.1	**592**	14.7	13.4	**333**	14.4
Avery International	14.1	**595**	12.7	10.3	**570**	9.8
Girard	14.0	**596**	14.8	10.7	**537**	11.9
Seagram	14.0	**597**	25.0	10.7	**539**	18.4
Texas Utilities	14.0	**598**	16.2	7.7	**783**	8.3
Figgie International	14.0	**599**	15.3	8.0	**758**	8.6
Squibb	14.0	**599**	11.5	10.9	**514**	9.2
Union Pacific	14.0	**599**	13.7	9.2	**678**	8.5
Sperry	14.0	**602**	9.4	10.4	**558**	6.8
Modern Merchandising	14.0	**603**	5.6	9.3	**669**	5.0
Potlatch	14.0	**603**	6.9	9.9	**625**	5.3
Champion Intl	14.0	**605**	8.0	8.7	**711**	5.9
Norton Simon	14.0	**695**	11.3	9.4	**661**	7.5
Kerr-McGee	14.0	**607**	14.6	9.9	**612**	9.3
Easco	13.9	**608**	16.9	9.6	**645**	11.0
Cities Service	13.9	**609**	12.9	9.7	**631**	8.8
Thrifty Corp	13.9	**609**	16.4	10.4	**564**	12.5
Continental Group	13.9	**611**	17.4	9.9	**620**	11.0
Cummins Engine	13.9	**611**	20.5	10.1	**585**	13.4
Greyhound	13.9	**611**	16.2	10.1	**593**	11.7
May Dept Stores	13.9	**611**	13.8	9.4	**660**	9.2
Godfrey	13.9	**615**	11.8	9.4	**665**	7.5
North American Coal	13.9	**616**	4.5	6.5	**868**	3.7
Gould	13.9	**617**	9.9	10.5	**548**	8.1
National Gypsum	13.9	**617**	9.2	10.5	**547**	7.2
Union Carbide	13.9	**617**	13.7	9.8	**627**	9.8
Borg-Warner	13.8	**620**	13.4	12.6	**398**	12.1
Jefferson-Pilot	13.8	**620**	12.7	13.7	**311**	12.6
Norfolk & Western Ry	13.8	**622**	17.5	8.5	**724**	11.7
Pacific Lighting	13.8	**623**	17.7	7.7	**782**	9.8
Amer Natl Resources	13.8	**624**	14.5	7.3	**810**	7.1
Bergen Brunswig	13.8	**624**	21.2	11.1	**504**	17.4
AMAX	13.8	**626**	11.4	10.5	**555**	8.6
Alexander & Baldwin	13.7	**627**	10.8	9.9	**620**	7.6
Consol Natural Gas	13.7	**628**	15.2	8.1	**750**	8.8
Super Food Services	13.7	**629**	8.2	9.6	**648**	7.8
Walter E Heller Intl	13.7	**630**	12.9	7.3	**805**	7.1
Riegel Textile	13.7	**631**	13.0	10.0	**600**	9.5
Arizona Public Service	13.7	**632**	13.9	7.9	**769**	7.8
Capital Holding	13.7	**632**	13.7	13.5	**326**	13.6
Jewel Companies	13.7	**632**	18.8	8.7	**712**	10.5
Acme-Cleveland	13.7	**635**	9.1	10.4	**559**	7.4
Gulf Oil	13.5	**636**	12.8	11.2	**495**	10.4
Carson Pirie Scott	13.5	**637**	15.9	8.6	**720**	7.5
Wisconsin Public Svc	13.5	**637**	12.8	6.9	**838**	6.0
FMC	13.5	**639**	9.8	9.8	**629**	7.6
Quaker State Oil	13.5	**640**	11.4	9.2	**678**	8.2

*For some companies (as noted in the individual Yardsticks tables) the average return is for less than five years.

Who's where in profitability

	Return on equity			Return on capital				Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months	Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Arcata	13.4%	641	10.3%	9.5%	654	6.4%	Amfac	12.7%	705	12.8%	8.0%	761	8.1%
Chemical New York	13.4	641	16.5	9.9	619	12.0	Chase Manhattan	12.7	706	14.1	9.4	661	9.7
Commonwealth Energy	13.4	643	10.7	6.7	855	5.6	Florida Power & Lt	12.7	706	10.3	6.4	879	5.3
First Union Bancorp	13.4	643	13.7	12.2	418	12.9	Revere Copper	12.6	708	9.5	6.9	837	6.9
Fruehauf	13.4	645	6.7	8.6	721	5.2	Amer Hoist & Derrick	12.6	709	11.0	9.2	681	8.4
Clark Equipment	13.4	646	7.9	10.5	553	6.8	Champion Spark Plug	12.6	710	6.5	11.8	448	6.5
Columbia Gas System	13.4	646	14.2	7.3	807	8.1	Cleveland Elec Illum	12.6	710	12.5	7.2	817	7.1
Long Island Lighting	13.4	646	13.8	8.1	756	9.0	St Regis Paper	12.6	710	12.8	9.1	689	8.9
New England Electric	13.4	646	14.6	6.5	866	6.8	National Tea	12.6	713	9.2	8.5	725	6.5
KDT Industries	13.4	650	1.6	9.9	616	1.7	ACF Industries	12.6	714	8.0	7.1	820	5.1
Maryland National	13.4	651	15.0	11.0	508	12.1	Allied Corp	12.6	714	20.6	8.2	742	12.6
Safeway Stores	13.4	651	10.2	8.6	716	6.9	Peavey	12.6	714	14.8	9.4	665	10.6
Trane	13.4	651	13.2	10.8	531	10.0	Walt Disney	12.6	717	11.2	11.4	479	10.4
Textron	13.3	654	7.7	11.1	506	6.7	Imperial Corp of Am	12.5	718	def	11.1	506	0.9
Duke Power	13.3	655	13.9	7.1	822	7.2	Bank of New York	12.5	719	12.7	11.3	489	12.0
Allen Group	13.3	656	11.4	9.4	667	8.4	Federal Paper Board	12.5	720	15.6	7.6	795	8.6
Southeast Banking	13.3	656	15.2	10.0	606	11.5	So New England Tel	12.5	721	16.2	7.0	830	8.1
American Natl Ins	13.2	658	10.9	13.2	343	10.8	Anchor Hocking	12.5	722	10.1	9.6	643	8.0
McGraw-Edison	13.2	658	11.8	12.2	418	9.5	Gulf States Utils	12.5	722	14.3	6.4	876	7.3
Savannah Foods	13.2	660	43.8	9.0	691	26.0	Middle South Utils	12.5	724	13.5	6.5	865	7.2
Mattel	13.2	661	def	13.5	326	2.6	Berkshire Hathaway	12.4	725	9.7	10.9	521	9.3
Frederick & Herrud	13.2	662	1.3	9.5	656	3.1	NBD Bancorp	12.4	726	10.6	11.2	498	9.7
A H Robins	13.2	662	9.9	11.4	476	9.4	Dorsey	12.4	727	10.0	8.6	719	7.8
G D Searle	13.2	664	15.6	10.4	565	13.4	Magic Chef	12.4	727	13.6	10.9	521	9.4
Laclede Gas	13.2	665	11.1	7.3	811	6.7	Penn Power & Light	12.4	729	12.3	6.8	841	6.3
Celanese	13.1	666	13.3	8.9	703	9.4	Northwestern Steel	12.3	730	10.8	12.2	421	10.6
Saga	13.1	666	18.3	10.5	550	11.6	Carolina Pwr & Lt	12.3	731	13.7	6.5	866	6.8
Reynolds Metals	13.1	668	10.8	7.7	784	6.8	National Distillers	12.3	731	12.6	9.9	616	10.0
Holiday Inns	13.1	669	16.8	9.9	609	11.8	N Y State Elec & Gas	12.3	731	12.1	7.1	827	7.0
American Tel & Tel	13.1	670	13.0	7.5	797	7.5	ARA Services	12.3	734	9.5	9.4	658	7.3
Lincoln National	13.1	671	10.7	11.6	464	9.0	Southwest Forest Inds	12.3	734	5.6	8.5	725	5.7
Florida Power	13.1	672	14.6	6.3	880	6.6	Royal Crown Cos	12.3	736	11.5	10.1	589	8.6
Armco	13.1	673	14.1	9.8	630	10.6	Amerace	12.3	737	9.9	7.7	780	6.7
Hartfield-Zodys	13.1	673	5.4	7.0	832	4.5	Amstar	12.3	738	25.3	9.2	675	18.8
Kansas Power & Light	13.0	675	13.2	6.8	840	6.8	Allegheny Int'l	12.3	739	10.6	7.4	801	7.4
Federal Co	13.0	676	9.5	11.6	462	8.6	Stop & Shop	12.2	740	11.4	7.6	787	8.1
No States Power	13.0	676	13.7	6.4	875	6.5	Tiger International	12.2	740	5.3	5.9	906	3.9
Wisconsin Pwr & Lt	13.0	678	14.6	6.7	848	7.0	Interpace	12.2	742	9.6	8.3	738	7.6
Commercial Metals	13.0	679	11.3	10.4	561	9.4	Pacific Pwr & Lt	12.2	742	13.4	6.8	842	7.0
Hercules	13.0	679	12.2	10.0	607	9.3	Longview Fibre	12.2	744	2.7	11.0	510	2.5
First Natl Boston	13.0	681	14.9	9.2	674	10.7	UMC Industries	12.1	745	10.3	10.1	590	7.3
Pennwalt	13.0	682	9.0	9.3	669	6.9	Rose's Stores	12.1	746	11.0	10.9	515	9.8
Stewart-Warner	13.0	682	9.6	12.8	381	9.4	Kaiser Steel	12.1	747	9.5	8.3	737	7.4
DETROITBANK	13.0	684	10.4	12.2	416	9.8	So Carolina E & G	12.1	748	13.2	6.2	887	6.4
Koppers	13.0	685	6.8	10.0	604	5.6	General Motors	12.1	749	1.7	11.1	500	1.9
Liberty Natl Ins Hld	13.0	685	13.2	12.9	369	13.2	Mellon National	12.1	750	12.1	10.4	557	10.4
Household Intl	12.9	687	7.4	6.4	876	4.6	Anderson, Clayton	12.0	751	12.3	11.4	476	12.3
National Can	12.9	687	10.8	9.2	676	7.9	Southern Calif Edison	12.0	751	13.3	7.2	814	7.9
Allied Stores	12.9	689	11.3	9.1	682	7.9	Warner-Lambert	12.0	753	0.7	9.3	669	1.5
McDonnell Douglas	12.9	690	11.9	12.6	393	11.8	J C Penney	12.0	754	12.9	9.9	614	9.3
Penn Central	12.9	691	12.7	9.1	686	8.9	Carter Hawley Hale	11.9	755	9.0	7.6	791	5.6
UGI	12.9	691	15.6	7.7	778	8.8	Gt Western Financial	11.9	756	1.3	11.1	501	2.3
Boise Cascade	12.9	693	9.4	9.4	663	6.4	Lane Bryant	11.9	756	11.9	10.1	585	10.0
Washington National	12.9	694	13.1	11.3	482	11.8	Consumers Power	11.9	758	12.6	6.2	889	6.2
DeSoto	12.9	695	12.4	10.3	572	10.2	Union Electric	11.9	759	11.3	6.2	886	5.7
Cincinnati G & E	12.8	696	11.3	7.0	832	6.5	Philadelphia Natl	11.8	760	10.6	9.3	673	8.7
Dibrell Brothers	12.8	696	14.7	10.8	526	11.2	Atlanta Gas Light	11.8	761	9.0	6.6	861	5.6
Sunbeam	12.8	698	11.2	10.3	574	8.7	WICOR	11.8	761	10.0	**		**
Illinois Power	12.8	699	12.9	6.8	839	6.9	F W Woolworth	11.8	763	8.7	8.5	729	6.9
Dayco	12.8	700	4.8	7.0	829	4.0	Central Ill Pub Svc	11.8	764	11.0	6.4	872	5.8
Rohm & Haas	12.8	700	12.9	9.7	633	10.1	West Point-Pepperell	11.8	764	12.1	9.5	653	9.8
Borden	12.8	702	12.4	9.7	638	9.1	Consolidated Edison	11.8	766	13.5	6.6	857	7.5
Jim Walter	12.8	703	2.7	8.2	744	3.2	Hammermill Paper	11.8	766	13.4	7.7	781	8.7
American Cyanamid	12.7	704	12.5	9.7	632	9.6	Wisconsin Elec Power	11.8	766	11.3	6.6	864	5.9

*For some companies (as noted in the individual Yardsticks tables) the average return is for less than five years.
**Not available; not ranked. def: deficit.

Who's where in profitability

	Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
BanCal Tri-State	11.7%	769	6.0%	9.0%	698	5.3%
Baltimore Gas & Elec	11.7	770	12.4	6.7	852	6.8
First Wisconsin	11.7	771	13.3	9.4	667	11.1
H K Porter	11.7	772	3.5	9.1	687	5.0
Potomac Elec Power	11.7	772	12.4	6.7	852	6.7
Dravo	11.6	774	7.1	10.4	565	6.9
Allegheny Power	11.6	775	13.9	6.3	885	7.3
Owens-Illinois	11.6	776	12.6	8.0	763	8.4
Santa Fe Industries	11.6	777	12.6	8.0	763	8.5
First Boston	11.6	778	14.1	11.8	443	14.6
Niagara Mohawk Power	11.6	778	13.2	6.7	846	7.5
Hanna Mining	11.6	780	12.5	10.3	570	10.9
Pacific Gas & Elec	11.6	781	11.4	7.4	800	7.4
H F Ahmanson	11.6	782	def	10.0	607	0.9
SCM	11.5	783	10.1	8.6	716	7.8
Bemis	11.5	784	9.8	8.2	747	7.3
Manufacturers National	11.5	784	2.5	9.9	615	2.7
Toledo Edison	11.5	786	11.3	7.0	835	7.3
AMF	11.4	787	3.7	8.3	734	3.6
Scott Paper	11.4	788	10.3	8.5	722	8.0
McDermott	11.4	789	13.3	8.9	701	8.6
Utah Power & Light	11.4	790	13.7	7.1	824	7.9
Pub Svc Elec & Gas	11.3	791	10.2	6.3	883	5.9
National Fuel Gas	11.3	792	14.0	7.2	813	8.3
Fleetwood Enterprises	11.3	793	6.5	11.3	482	6.4
NLT	11.3	794	10.9	11.0	511	10.5
Roper Corp	11.3	795	9.7	8.1	750	7.5
Zayre	11.3	796	13.5	7.5	796	8.9
Pac Gamble Robinson	11.3	797	10.1	8.8	707	7.4
AmeriTrust	11.2	798	10.3	11.2	493	10.3
Boston Edison	11.2	798	15.7	5.5	917	6.2
Kaufman & Broad	11.2	798	6.7	8.5	728	5.2
GATX	11.2	801	12.9	5.1	935	5.6
Montana Power	11.2	801	13.9	6.7	851	8.0
Delmarva Power & Lt	11.2	803	10.5	6.6	859	6.3
San Diego Gas & Elec	11.2	803	14.1	7.4	801	8.5
Louisville Gas & Elec	11.2	805	14.1	6.0	897	6.6
Pueblo International	11.1	806	7.3	7.7	784	6.4
Cyclops	11.0	807	16.2	8.2	740	11.7
Collins & Aikman	11.0	808	9.4	9.1	683	7.3
Northern Trust	11.0	808	11.6	9.7	633	10.9
Rochester Gas & Elec	11.0	808	12.9	6.6	857	7.4
American Elec Power	11.0	811	10.6	6.6	861	6.2
Intl Tel & Tel	11.0	811	9.2	8.9	702	8.2
American Can	10.9	813	7.2	7.6	789	5.0
Crown Zellerbach	10.9	813	6.5	7.9	769	5.0
Sybron	10.9	813	9.4	8.8	708	7.5
Equitable of Iowa	10.9	816	8.6	9.7	638	7.3
Oklahoma Gas & Elec	10.9	817	10.9	6.0	897	6.0
Strawbridge & Clothier	10.8	818	10.6	8.3	734	8.2
Southern Company	10.8	819	11.6	5.5	921	5.7
Dayton Power & Light	10.8	820	13.8	6.8	843	7.7
Skyline	10.8	821	5.9	10.7	534	5.8
Williams Companies	10.8	822	14.2	6.7	846	8.4
Monsanto	10.8	823	10.8	7.9	772	7.6
Genl Tire & Rubber	10.8	824	12.9	8.3	736	9.8
Grumman	10.8	824	7.8	8.4	733	6.0
Hawaiian Electric	10.7	826	10.3	6.0	894	6.0
Zapata	10.7	827	24.2	6.6	863	11.9
ASARCO	10.7	828	4.2	8.7	710	3.9
Eastern Gas & Fuel	10.7	829	12.0	6.6	859	7.2
Central Illinois Lt	10.7	830	12.1	5.5	922	5.5
Wickes Companies	10.7	830	3.4	8.4	731	4.9
Research-Cottrell	10.7	832	10.3	10.0	598	8.6

	Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Sears Roebuck	10.6%	833	6.6%	9.0%	693	5.9%
IC Industries	10.6	834	11.0	6.5	869	6.4
Del E Webb	10.5	835	9.2	9.2	676	3.0
Allied Van Lines	10.5	836	19.0	7.9	773	12.7
Nationwide	10.4	837	8.2	10.6	543	8.5
Diamond Intl	10.4	838	6.8	9.0	693	5.9
Manville	10.4	838	3.5	8.2	741	4.4
Dillard Dept Stores	10.4	840	13.4	6.8	843	7.9
Gas Service	10.4	840	8.5	6.2	891	5.6
Brunswick	10.4	842	12.6	8.1	756	9.0
Detroit Edison	10.3	843	11.9	5.8	910	6.0
Commonwealth Edison	10.3	844	11.7	5.8	907	6.2
Adolph Coors	10.3	845	6.2	9.6	646	5.8
Di Giorgio	10.3	845	9.2	7.4	801	6.3
Armstrong World Inds	10.2	847	9.8	8.5	727	8.5
Kerr Glass Mfg	10.2	848	9.8	7.9	771	7.2
Ohio Edison	10.2	848	11.3	6.1	892	5.8
Phila Electric	10.2	848	11.4	5.8	908	6.2
Allis-Chalmers	10.2	851	2.9	8.3	738	3.9
Kansas City Pwr & Lt	10.2	852	10.0	5.4	925	4.7
Central Soya	10.2	853	6.7	8.1	753	6.0
Dynalectron	10.2	854	20.9	8.6	718	16.3
PennCorp Financial	10.1	855	2.5	9.5	651	3.6
Robertshaw Controls	10.1	856	9.2	8.2	748	7.8
Libbey-Owens-Ford	10.1	857	1.8	9.0	693	3.0
Hart Schaffner & Marx	10.0	858	11.1	8.8	706	9.9
Amer Maize-Products	10.0	859	11.4	7.8	776	8.0
Public Service Colo	10.0	859	12.7	5.9	902	6.9
Burroughs	10.0	861	0.8	8.9	699	1.1
Castle & Cooke	10.0	862	7.0	7.6	788	6.1
Va Electric & Power	9.9	863	10.0	6.2	890	6.1
Cluett, Peabody	9.9	864	10.1	8.4	731	8.0
First Charter Finl	9.9	865	def	9.5	654	0.4
Ceco	9.9	866	12.2	8.2	745	9.9
Northeast Utilities	9.9	866	10.0	5.7	912	5.9
Control Data	9.8	868	10.6	8.1	750	9.4
Hoover	9.8	869	def	7.9	767	def
Paine Webber	9.7	870	9.0	8.7	713	7.5
Dan River	9.7	871	7.5	7.0	832	5.6
Duquesne Light	9.7	872	11.2	5.8	909	6.0
Toro	9.6	873	def	9.5	650	def
No Indiana Pub Svc	9.6	874	9.8	5.4	923	5.5
Goodyear	9.6	875	9.2	7.5	798	7.5
First Chicago	9.5	876	7.7	7.9	765	6.9
Memorex	9.5	877	def	8.2	749	def
BancOhio	9.4	878	11.4	8.8	705	11.0
Washington Gas Light	9.4	879	10.3	5.7	912	6.2
Brockway Glass	9.3	880	8.3	7.4	804	6.0
Harris Bankcorp	9.3	880	7.5	8.5	722	7.5
Beneficial Corp	9.3	882	def	5.7	915	3.7
CSX	9.3	883	11.3	**		7.4
Perini	9.3	883	16.9	7.2	812	12.8
A O Smith	9.2	885	6.5	7.3	805	5.4
Polaroid	9.2	886	6.3	9.1	683	5.7
CFS Continental	9.2	887	13.5	7.0	828	9.2
Citizens & Sthrn Ga	9.2	887	16.4	8.6	715	15.4
Cannon Mills	9.1	889	10.0	9.0	691	9.7
Kellwood	9.0	890	4.1	7.2	816	4.4
UAL	9.0	891	2.6	4.6	947	2.8
Associated Dry Goods	9.0	892	9.4	7.6	791	8.1
Olin	8.9	893	6.9	7.1	822	5.4
National-Standard	8.8	894	1.0	7.0	831	1.3
Playboy Enterprises	8.8	895	10.6	7.9	767	9.3
Portland Genl Elec	8.7	896	12.9	5.9	900	6.8

*For some companies (as noted in the individual Yardsticks tables) the average return is for less than five years.
**Not available; not ranked. def: deficit.

Who's where in profitability

	Return on equity			Return on capital				Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months	Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Pittston	8.6%	**897**	4.9%	7.3%	**807**	3.9%	**Intl Harvester**	4.1%	**961**	def	4.2%	**953**	0.1%
Gino's	8.6	**898**	5.1	6.6	**856**	6.1	**Cook United**	4.1	**962**	3.0%	4.1	**957**	3.7
Interlake	8.6	**899**	16.1	7.3	**809**	12.1	**American Airlines**	4.0	**963**	def	3.9	**962**	0.7
Harnischfeger	8.5	**900**	16.3	6.4	**873**	10.7	**Eastern Air Lines**	4.0	**963**	def	4.2	**954**	0.4
Inland Steel	8.4	**901**	7.0	6.1	**893**	4.6	**Interstate Bakeries**	4.0	**965**	def	4.8	**941**	def
Burlington Northern	8.4	**902**	10.5	5.9	**903**	6.9	**Wheeling-Pitts Steel**	3.9	**966**	4.6	3.6	**968**	3.6
Burlington Inds	8.4	**903**	10.4	6.7	**849**	7.9	**Mohasco**	3.9	**967**	4.0	4.1	**956**	4.5
Certain-teed	8.3	**904**	def	7.1	**820**	0.9	**Bethlehem Steel**	3.8	**968**	9.0	3.8	**965**	7.4
King Kullen Grocery	8.3	**904**	8.2	7.9	**775**	7.9	**U S Industries**	3.5	**969**	def	3.9	**963**	def
Donaldson, Lufkin	8.3	**906**	15.5	7.6	**793**	13.6	**United Brands**	3.3	**970**	1.9	3.5	**969**	2.6
Stokely-Van Camp	8.2	**907**	8.3	6.5	**869**	6.6	**M Lowenstein**	3.1	**971**	10.6	4.1	**958**	8.8
Kentucky Utilities	8.2	**908**	8.6	5.3	**927**	5.7	**Republic Airlines**	2.6	**972**	def	6.3	**881**	def
B F Goodrich	8.0	**909**	7.5	6.7	**854**	6.3	**Telecom**	2.4	**973**	def	5.1	**935**	def
Trans World	8.0	**910**	6.4	5.0	**938**	5.3	**Munford**	2.1	**974**	10.5	3.6	**967**	6.8
McLean Trucking	8.0	**911**	def	7.2	**819**	1.6	**Scot Lad Foods**	1.9	**975**	11.8	1.9	**980**	8.2
Fedl Natl Mortgage	7.9	**912**	def	4.3	**952**	3.9	**Macmillan**	1.7	**976**	3.9	2.4	**975**	4.1
Sheller-Globe	7.6	**913**	17.5	5.9	**905**	9.8	**Allied Products**	1.3	**977**	0.3	2.7	**972**	2.2
Arden Group	7.6	**914**	10.0	5.5	**917**	6.9	**Questor**	1.3	**978**	1.1	2.5	**974**	2.6
Marine Midland Banks	7.6	**915**	9.8	6.4	**878**	8.3	**Alexander's**	1.2	**979**	def	2.3	**976**	def
Marshall Field	7.6	**916**	8.5	6.3	**882**	6.2	**Firestone**	0.4	**980**	7.0	1.8	**982**	6.3
Lukens Steel	7.6	**917**	8.1	6.4	**871**	6.7	**Westmoreland Coal**	0.3	**981**	def	1.8	**981**	def
Chic Pneumatic Tool	7.5	**918**	3.7	7.7	**778**	4.5	**Keystone Consolidated**	0.3	**982**	5.2	1.6	**983**	4.7
Reichhold Chemicals	7.5	**919**	9.8	6.2	**888**	7.2	**General Host**	def	**983**	def	3.0	**970**	def
Republic Steel	7.4	**920**	13.6	5.5	**920**	9.0	**Borman's**	def	**984**	def	1.9	**979**	def
Outboard Marine	7.4	**921**	9.6	6.4	**873**	7.7	**Monfort of Colorado**	def	**985**	43.4	0.7	**986**	22.7
Southern Pacific	7.4	**922**	7.8	5.2	**932**	5.2	**Jos Schlitz Brewing**	def	**986**	def	0.7	**987**	def
Pettibone	7.3	**923**	def	6.7	**849**	2.1	**Gulf Resources & Chem**	def	**987**	def	2.9	**971**	def
Singer	6.9	**924**	15.2	5.7	**916**	8.7	**Continental Airlines**	def	**988**	def	2.1	**978**	def
Northwest Airlines	6.9	**925**	2.3	4.9	**940**	2.1	**Talley Industries**	def	**989**	def	2.6	**973**	def
National Steel	6.9	**926**	5.9	5.0	**939**	3.9	**Uniroyal**	def	**990**	8.0	1.3	**985**	6.1
Graniteville	6.8	**927**	3.6	5.9	**900**	3.6	**Vornado**	def	**991**	def	0.2	**990**	def
Manhattan Industries	6.7	**928**	17.2	6.3	**884**	9.8	**General Refractories**	def	**992**	def	0.4	**988**	def
Phelps Dodge	6.6	**929**	7.9	5.1	**934**	5.8	**Jonathan Logan**	def	**993**	def	def	**995**	def
Olympia Brewing	6.6	**930**	0.8	5.9	**899**	1.5	**Cal-Maine Foods**	def	**994**	def	1.6	**984**	def
Gibraltar Financial	6.5	**931**	def	8.9	**700**	def	**Great Atl & Pac Tea**	def	**995**	def	def	**994**	def
General Public Utils	6.4	**932**	1.5	4.8	**941**	3.2	**AM International**	def	**996**	def	def	**998**	def
Springs Mills	6.4	**933**	5.2	5.7	**912**	5.0	**Commonwealth Oil Rfg**	def	**997**	def	def	**991**	def
El Paso	6.4	**934**	27.6	4.0	**961**	9.1	**First Pennsylvania**	def	**998**	def	def	**992**	def
Inco	6.4	**935**	2.8	4.6	**948**	3.6	**American Motors**	def	**999**	def	def	**1005**	def
Varian Associates	6.3	**936**	def	5.9	**904**	0.6	**Envirotech**	def	**1000**	def	def	**1003**	def
United States Steel	6.3	**937**	21.9	5.2	**931**	15.2	**Wilson Foods**	def	**1001**	def	def	**997**	def
G C Murphy	6.2	**938**	7.9	5.2	**928**	6.3	**Genesco**	def	**1002**	17.8	def	**996**	7.5
Western Air Lines	6.2	**938**	def	4.8	**945**	def	**McLouth Steel**	def	**1003**	def	def	**999**	def
Zenith Radio	6.1	**940**	7.0	5.5	**917**	5.6	**GAF**	def	**1004**	16.6	def	**1000**	8.3
Phillips-Van Heusen	6.0	**941**	8.6	5.2	**928**	7.5	**United Merch & Mfrs**	def	**1005**	0.3	def	**1004**	1.4
Avondale Mills	6.0	**942**	4.4	5.8	**911**	4.2	**Seatrain Lines**	def	**1006**	NE	2.3	**976**	**
American Bakeries	5.9	**943**	def	5.3	**926**	0.7	**Sambo's Restaurants**	def	**1007**	def	0.3	**989**	def
Fisher Foods	5.8	**944**	11.5	4.8	**944**	7.1	**Penn-Dixie Inds**	def	**1008**	def	def	**1009**	def
Armstrong Rubber	5.8	**945**	14.3	5.2	**930**	10.6	**Chrysler**	def	**1009**	def	def	**1008**	def
Foodarama Supermkts	5.6	**946**	3.1	6.0	**896**	3.7	**Massey-Ferguson**	def	**1010**	def	def	**1006**	def
Ford Motor	5.5	**947**	def	5.1	**933**	def	**Braniff Intl**	def	**1011**	def	def	**993**	def
Sherwin-Williams	5.4	**948**	12.5	4.2	**955**	8.2	**Goldblatt Brothers**	def	**1012**	def	def	**1010**	def
Bird & Son	5.3	**949**	def	6.0	**895**	def	**Pantry Pride**	def	**1013**	def	def	**1002**	def
Edward Hines Lumber	5.3	**949**	def	5.4	**924**	def	**Rath Packing**	def	**1014**	def	def	**1007**	def
J P Stevens	5.0	**951**	def	4.8	**946**	def	**Allied Supermarkets**	def	**1015**	NE	def	**1001**	19.4
Fidelcor	5.0	**952**	14.0	4.8	**943**	11.7	**Bruno's**	**		37.7	**		21.7
Shopwell	5.0	**953**	5.2	4.4	**951**	4.6	**Centl Louisiana Engy**	**		42.0	**		24.0
Western Union	4.9	**954**	7.5	5.0	**937**	6.0	**Dillingham**	**		**	**		**
Akzona	4.8	**955**	4.6	4.0	**961**	3.8	**Fuqua Industries**	**		5.7	**		6.5
Saxon Industries	4.7	**956**	2.6	4.5	**950**	3.8	**LTV**	**		45.3	**		19.4
Ramada Inns	4.5	**957**	def	4.0	**959**	def	**Peabody Intl**	**		def	**		def
Kane-Miller	4.3	**958**	7.0	4.6	**948**	6.2	**Richardson-Vicks**	**		18.4	**		18.6
Pabst Brewing	4.1	**959**	def	3.8	**964**	0.2	**Swift Independent**	**		26.1	**		11.2
Bell & Howell	4.1	**960**	8.1	3.8	**965**	6.9							

*For some companies (as noted in the individual Yardsticks tables) the average return is for less than five years.

**Not available; not ranked. def: deficit. NE: negative equity.

How they rank, long and short term, in earnings-per-share and sales growth—and, most importantly, who's staying ahead of inflation.

Who's where in growth

"Lies, damned lies and statistics," runs the old saying, and nothing shows the truth of it more than some of the items you will run into in the tables on the following pages. These tables track the record of 1,023 company managements in achieving sales and earnings growth. Start reading, and right off the bat you run into a puzzler—Trans World Corp.'s leading all the rest in earnings-per-share growth. Trans World? Yes, because . . .

The numbers are right as far as they go, but they may not show the whole picture in each case. In our calculations we use an average of earnings during the period 1972-76 as a base for measuring the long-term trend. So if a company had deficits in one or more of those years—Trans World had two whoppers back to back: losses of $24 million in 1974 and $86 million in 1975—the road back to normal profitability would, at first blush, look like unusually rapid earnings growth.

Trans World had been down so far for so long, that even in these difficult days for airlines, the most modest of profits made it look comparatively good in the short term. Its latest 12-month results look strong when compared with its average earnings per share in the years 1978-80.

The occasional anomaly aside, the tables in toto deliver a stern reminder that inflation continues to raise hell with reported earnings. Compare each company's earnings-per-share growth with the five-year average annual inflation rate of 7.2% (we use the Department of Commerce's "Implicit Price Deflator," as stated in the footnotes) and you discover that nearly one out of every three companies—299 of the 997 ranked—failed to keep its earnings per share even with the inflation rate. The record was better in our annual report one year ago, when 274 out of 1,012 companies failed to do so. Inflation lives.

Of the 698 companies that did keep earnings abreast of inflation, 347 showed greater sales growth than earnings growth. That doesn't necessarily mean there is something wrong, but it's a signal to look deeper for problems like dilution or price-cutting to hold market shares.

A substantial number of the companies whose earnings lagged behind the inflation rate are—no surprise—regulated electric and gas utilities. For those companies, at least, there is some evidence that the regulatory climate is easing.

Who's where in growth

	Earnings per share			Sales		
Company	**5-year average***	**rank**	**81† vs 1978-80**	**5-year average***	**rank**	**81† vs 1978-80**
Trans World	161.8%	**1**	41.9%	13.9%	**547**	21.3%
Thriftimart	160.1	**2**	3.8	6.4	**947**	16.0
Warnaco	144.2	**3**	50.2	6.0	**963**	8.9
Savin	120.9	**4**	P–D	42.0	**19**	54.1
Litton Industries	111.2	**5**	146.3	6.7	**942**	23.7
NIKE	110.4	**6**	265.0	102.9	**2**	224.8
United Brands	102.9	**7**	–52.2	10.1	**794**	20.1
Resorts Intl	82.7	**8**	–97.3	42.9	**16**	3.3
Subaru of America	78.5	**9**	108.3	45.6	**13**	58.2
First Executive	78.1	**10**	91.6	80.9	**3**	205.4
Federal Express	74.3	**11**	134.1	56.9	**6**	133.6
U S Air	68.5	**12**	14.1	16.8	**358**	43.4
Whittaker	64.1	**13**	36.3	11.1	**724**	48.4
Bergen Brunswig	63.5	**14**	64.6	14.3	**511**	54.6
Fairchild Industries	54.9	**15**	37.4	26.1	**99**	74.6
RLC	52.9	**16**	–40.9	11.5	**704**	17.3
Kay	49.9	**17**	P–D	21.3	**173**	–2.9
SCOA Industries	48.6	**18**	10.5	14.1	**525**	16.0
Tosco	48.0	**19**	P–D	38.8	**26**	75.9
American Airlines	47.7	**20**	P–D	14.6	**492**	24.9
Centl Louisiana Engy	47.0	**21**	97.1	50.6	**9**	83.7
Wang Laboratories	46.8	**22**	124.2	46.0	**12**	164.5
Standard Oil Ohio	45.9	**23**	66.1	30.5	**70**	49.4
Boeing	45.1	**24**	13.7	16.8	**354**	31.6
Business Men's Assur	44.4	**25**	10.2	5.3	**975**	15.5
Teledyne	44.0	**26**	50.5	11.0	**734**	19.9
Computer Sciences	43.9	**27**	–10.5	20.6	**196**	33.1
Sun Chemical	42.0	**28**	19.7	13.5	**577**	25.1
ConAgra	41.8	**29**	44.5	11.3	**709**	135.2
Tandy	41.5	**30**	105.0	23.3	**136**	46.0
Mission Insurance	39.6	**31**	37.3	31.6	**59**	27.4
Cincinnati Milacron	39.6	**32**	–15.5	12.6	**631**	23.6
Best Products	39.3	**33**	–2.1	33.9	**47**	52.8
Humana	39.3	**34**	125.5	40.8	**20**	50.0
Ruddick	39.2	**35**	22.1	13.1	**602**	22.7
Evans Products	37.8	**36**	–67.0	6.6	**944**	9.3
Cabot	37.8	**37**	20.8	24.1	**121**	50.3
Bruno's	37.6	**38**	92.9	21.7	**165**	47.9
Kaufman & Broad	37.6	**39**	–35.9	8.3	**882**	5.4
Storage Technology	37.4	**40**	50.3	44.4	**14**	79.8
Marion	37.4	**41**	–14.6	39.1	**23**	38.7
Avco	37.3	**42**	–40.5	9.1	**847**	19.6
Ryder System	36.8	**43**	13.0	20.6	**194**	34.4
General Instrument	36.6	**44**	38.5	11.5	**700**	23.9
Cross & Trecker	36.4	**45**	59.1	19.3	**240**	38.0
Schlumberger	35.4	**46**	69.2	24.6	**114**	50.1
Gelco	34.9	**47**	78.5	50.8	**8**	80.3
Alcan Aluminium	34.8	**48**	–14.1	14.8	**476**	15.3
Charter	34.6	**49**	–90.0	31.8	**57**	37.4
United Energy Resources	34.3	**50**	57.4	34.7	**45**	63.3
Food Town Stores	34.3	**51**	50.7	31.5	**62**	31.5
NCR	33.8	**52**	–12.7	8.7	**866**	16.6
Mitchell Energy & Dev	33.7	**53**	64.7	38.7	**29**	87.8
Berkshire Hathaway	33.4	**54**	26.0	25.3	**110**	–0.1
Metromedia	33.1	**55**	44.9	13.8	**553**	15.5
Wal-Mart Stores	32.8	**56**	58.9	37.4	**32**	70.3
GEO International	32.8	**57**	145.2	30.3	**71**	103.2
James River Corp Va	32.7	**58**	44.0	56.1	**7**	171.7
Palm Beach	32.6	**59**	25.7	24.1	**119**	53.5
Harris Corp	32.1	**60**	41.9	18.5	**269**	51.7
Western Co No Amer	31.8	**61**	161.5	37.2	**33**	110.4
Digital Equipment	31.8	**62**	65.2	36.2	**37**	81.0
Texas Oil & Gas	31.8	**63**	81.1	39.7	**22**	72.4
Donaldson, Lufkin	31.7	**64**	110.0	39.0	**24**	61.2
Boise Cascade	31.6%	**65**	–18.4%	13.9%	**546**	12.3%
Warner Communications	31.6	**66**	23.4	22.4	**150**	67.8
U S Home	31.4	**67**	–32.4	20.1	**215**	16.9
G Heileman Brewing	31.4	**68**	45.6	28.2	**84**	49.3
Meredith	31.3	**69**	48.6	14.9	**468**	32.0
Pitney Bowes	31.3	**70**	–4.7	18.0	**290**	38.4
Nucor	31.1	**71**	–16.0	24.5	**115**	29.3
Superior Oil	31.0	**72**	87.4	29.3	**76**	75.4
Hilton Hotels	30.8	**73**	19.1	6.7	**941**	15.2
Shaklee	30.7	**74**	36.7	28.5	**81**	35.7
Worthington Inds	30.7	**75**	46.7	28.7	**79**	86.1
Big V Supermarkets	30.6	**76**	28.7	21.8	**161**	25.1
Grumman	30.5	**77**	–9.7	7.3	**924**	21.9
Waste Management	30.4	**78**	64.1	25.1	**111**	71.9
Levi Strauss	30.3	**79**	2.8	21.0	**181**	33.1
Cullum Companies	30.3	**80**	49.8	16.0	**404**	30.3
Toys "R" Us	30.2	**81**	32.8	26.2	**98**	37.8
Raychem	30.1	**82**	31.6	24.1	**123**	51.1
Service Merchandise	30.0	**83**	6.3	37.6	**31**	33.7
Dorchester Gas	30.0	**84**	23.4	74.1	**4**	83.8
Loews	29.6	**85**	25.2	20.1	**213**	16.9
Intel	29.5	**86**	–39.3	38.7	**27**	26.4
SmithKline	29.4	**87**	41.9	21.3	**171**	38.3
Bally Manufacturing	29.4	**88**	73.9	27.3	**90**	85.3
Parker Drilling	29.4	**89**	89.7	33.1	**51**	88.0
American Standard	29.1	**90**	6.2	8.0	**903**	5.8
Geosource	28.9	**91**	97.1	28.4	**82**	108.6
Penn Central	28.9	**92**	122.4	62.9	**5**	143.1
Baker International	28.8	**93**	98.4	33.6	**48**	76.6
Lear Siegler	28.8	**94**	17.0	15.0	**459**	19.1
Dillingham	28.7	**95**	15.5	16.7	**361**	41.0
Old Republic Intl	28.5	**96**	4.4	21.6	**168**	0.3
Scovill	28.2	**97**	–29.3	8.1	**891**	7.2
Data General	28.0	**98**	–17.6	42.2	**18**	43.4
Dean Foods	28.0	**99**	57.2	15.6	**434**	41.6
Phibro	27.9	**100**	7.1	33.4	**49**	59.7
Crum & Forster	27.8	**101**	22.1	14.3	**511**	11.9
Kemper	27.6	**102**	–1.1	22.2	**154**	51.5
USF&G	27.4	**103**	–23.8	14.9	**471**	6.0
Supermarkets General	27.4	**104**	13.1	10.3	**777**	19.9
Entex	27.2	**105**	18.6	34.9	**44**	46.3
Servicemaster Inds	27.1	**106**	44.3	24.2	**118**	39.1
Hanover Insurance	27.1	**107**	37.5	16.2	**394**	40.3
Natl Medical Entrprs	27.1	**107**	99.0	42.7	**17**	160.9
Natl Convenience Strs	27.0	**109**	45.8	18.8	**256**	63.0
Fuqua Industries	26.9	**110**	–58.2	32.5	**53**	–32.4
Foster Wheeler	26.9	**111**	20.5	13.6	**565**	5.9
Kelly Services	26.8	**112**	27.3	24.3	**117**	26.9
Centex	26.7	**113**	–26.1	21.7	**162**	9.6
Arcata	26.4	**114**	0.5	18.8	**259**	29.2
E F Hutton Group	26.2	**115**	46.8	31.0	**63**	68.6
General Re	26.2	**116**	30.6	17.5	**313**	39.8
Pneumo	26.2	**117**	67.4	15.7	**427**	35.7
Parsons	26.0	**118**	38.0	9.4	**830**	42.3
Hughes Tool	25.8	**119**	97.6	32.5	**52**	84.1
EG&G	25.8	**120**	42.1	25.3	**109**	30.5
Northrop	25.7	**121**	–47.8	14.4	**504**	12.4
Washington Post	25.7	**122**	–23.3	15.3	**442**	21.9
Super Valu Stores	25.6	**123**	30.7	16.6	**365**	27.2
Chic & North Western	25.6	**124**	139.0	12.1	**667**	30.5
Tektronix	25.6	**125**	10.1	23.8	**129**	37.6
Amer Medical Intl	25.4	**126**	38.5	23.9	**128**	104.3
Fluor	25.3	**127**	21.6	31.6	**61**	48.6
Pioneer	25.2	**128**	70.1	24.9	**112**	55.3

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.2%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product,* which measures inflation in all sectors of the economy.

†Latest 12-months. P-D: profit to deficit.

Who's where in growth

	Earnings per share			Sales		
Company	**5-year average***	**rank**	**81† vs 1978-80**	**5-year average***	**rank**	**81† vs 1978-80**
Trinity Industries	25.1%	**129**	72.8%	20.9%	**185**	49.6%
INA	25.0	**130**	132.4	15.8	**421**	12.6
Peoples Drug Stores	24.9	**131**	31.3	12.8	**624**	35.2
M/A-Com	24.9	**132**	92.1	35.3	**42**	182.9
Parker Pen	24.8	**133**	–29.2	29.9	**74**	11.5
IU International	24.8	**134**	–6.6	6.8	**939**	–4.6
Dayton-Hudson	24.7	**135**	–21.9	17.2	**333**	35.8
Ohio Casualty	24.7	**136**	3.7	17.9	**297**	10.3
Dan River	24.6	**137**	–22.0	6.0	**961**	10.8
Alcoa	24.5	**138**	–18.3	13.7	**556**	11.2
Kaiser Alum & Chem	24.4	**139**	–11.7	13.7	**559**	16.5
Hyster	24.3	**140**	–43.7	13.0	**609**	–5.4
Natomas	24.3	**141**	41.2	35.5	**41**	55.5
Raytheon	24.3	**142**	25.1	15.9	**409**	36.3
Aetna Life & Casualty	24.2	**143**	–9.0	15.3	**444**	16.3
Belco Petroleum	24.1	**144**	48.5	17.6	**311**	–28.5
American Intl Group	24.0	**145**	38.3	22.4	**149**	26.8
Atlantic Richfield	24.0	**146**	30.8	23.8	**131**	59.4
Cooper Industries	23.9	**147**	38.7	30.7	**64**	110.4
Crown Central Petroleum	23.9	**148**	P–D	22.6	**148**	39.8
Hospital Corp of Am	23.8	**149**	52.2	28.8	**78**	87.0
Marriott	23.8	**149**	52.5	18.2	**282**	28.8
Capital Cities Commun	23.7	**151**	28.6	22.2	**152**	29.5
Amer Broadcasting	23.7	**152**	–5.5	14.3	**510**	16.3
Big Three Industries	23.7	**152**	49.1	25.9	**102**	48.4
Santa Fe Intl	23.6	**154**	196.7	25.9	**103**	99.8
Rite Aid	23.5	**155**	23.5	18.9	**252**	25.4
Std Comml Tobacco	23.5	**155**	41.3	33.2	**50**	39.5
Alexander & Alexander	23.4	**157**	–0.4	25.5	**95**	22.9
Beckman Instruments	23.3	**158**	9.1	18.1	**289**	45.8
Houston Natural Gas	23.1	**159**	48.9	27.4	**89**	52.7
Safeco	23.1	**160**	–17.3	13.7	**558**	18.6
Johnson Controls	23.0	**161**	5.6	24.9	**113**	30.7
Hewlett-Packard	22.9	**162**	44.9	24.1	**124**	49.3
BanCal Tri-State	22.9	**163**	–38.9	10.2	**786**	46.8
Smith International	22.9	**164**	81.5	25.7	**104**	87.0
Anixter Brothers	22.8	**165**	93.6	17.2	**334**	63.6
Transamerica	22.6	**166**	0.8	11.2	**715**	5.0
Consol Freightways	22.6	**167**	113.8	14.8	**481**	–18.4
Consolidated Papers	22.6	**168**	7.9	15.1	**454**	21.1
Holly Corp	22.3	**169**	–28.2	30.6	**68**	40.8
Dover	22.3	**170**	54.0	17.8	**301**	44.3
Sundstrand	22.3	**170**	30.0	13.1	**604**	21.0
AMF	22.2	**172**	2.6	17.7	**306**	23.0
American General	22.0	**173**	5.3	11.5	**703**	18.2
Chubb	22.0	**174**	2.1	10.3	**771**	15.9
McDonald's	22.0	**175**	33.8	20.5	**198**	26.4
Morse Shoe	21.9	**176**	–23.4	15.2	**446**	17.6
Revco D S	21.9	**177**	33.0	20.9	**184**	46.5
Getty Oil	21.9	**178**	41.8	22.9	**146**	98.2
Abbott Laboratories	21.8	**179**	29.2	17.1	**339**	30.9
Bausch & Lomb	21.7	**180**	–8.2	12.5	**642**	19.1
Frontier Airlines	21.5	**181**	62.6	20.7	**189**	46.1
PACCAR	21.5	**182**	–17.3	15.8	**416**	1.1
Halliburton	21.5	**183**	47.8	18.3	**275**	10.1
Phillips Petroleum	21.4	**184**	11.1	19.5	**236**	57.5
Albertson's	21.4	**185**	20.1	19.7	**230**	25.7
Zurn Industries	21.3	**186**	22.2	8.3	**884**	15.9
Brown-Forman Dist	21.2	**187**	79.4	12.6	**634**	38.9
Baldwin-United	21.2	**188**	34.8	36.8	**35**	163.2
American Stores	21.1	**189**	–1.0	47.9	**10**	79.4
Manhattan Industries	21.0	**190**	D–P	7.4	**919**	2.9
Keystone Foods	20.9	**191**	18.9	27.1	**93**	25.4
Seaboard Allied Milling	20.9	**192**	–8.9	7.7	**913**	36.2
Perkin-Elmer	20.9%	**193**	37.1%	23.3%	**134**	46.5%
Auto Data Processing	20.9	**194**	41.8	26.4	**96**	56.2
A O Smith	20.8	**195**	–23.9	7.1	**929**	1.9
Baxter Travenol Labs	20.8	**196**	23.5	20.2	**208**	23.9
Melville	20.6	**197**	17.0	19.1	**248**	26.4
Morrison-Knudsen	20.6	**198**	20.7	14.4	**499**	45.9
Ashland Oil	20.5	**199**	–76.1	16.9	**352**	38.9
R H Macy	20.5	**200**	43.8	11.5	**701**	31.1
Travelers	20.4	**201**	–3.8	10.5	**757**	20.3
Federal-Mogul	20.4	**202**	–3.6	12.8	**622**	27.8
Circle K	20.3	**203**	41.0	19.2	**244**	58.0
United States Gypsum	20.3	**204**	–28.0	11.8	**688**	4.1
Signal Companies	20.3	**205**	–0.4	17.4	**316**	28.9
MGM Grand Hotels	20.3	**206**	–9.5	15.6	**432**	–38.2
Morton-Norwich	20.2	**207**	26.5	10.2	**788**	31.7
Di Giorgio	20.2	**208**	–4.3	10.2	**783**	–2.9
Bendix	20.2	**209**	170.3	9.7	**814**	16.8
Cameron Iron Works	20.0	**210**	82.0	18.4	**270**	75.5
Philip Morris	20.0	**211**	33.6	21.0	**178**	30.1
Piedmont Aviation	20.0	**212**	62.2	20.7	**190**	64.1
Rose's Stores	19.9	**213**	9.1	7.3	**925**	11.9
Carpenter Technology	19.8	**214**	19.3	14.2	**523**	22.2
Cluett, Peabody	19.7	**215**	22.1	4.5	**983**	20.1
Levitz Furniture	19.7	**216**	–23.6	7.1	**928**	–1.2
Control Data	19.6	**217**	24.5	14.3	**507**	24.9
Snap-On Tools	19.6	**217**	–3.2	18.2	**278**	20.2
Walgreen	19.6	**217**	31.6	6.9	**934**	28.6
City Investing	19.6	**220**	–19.6	17.0	**346**	20.0
Natl Semiconductor	19.6	**220**	–13.4	31.6	**59**	50.9
McGraw-Hill	19.6	**222**	24.3	11.5	**702**	21.9
Milton Bradley	19.6	**222**	–39.3	15.3	**443**	13.8
Pioneer Hi-Bred Intl	19.6	**222**	53.9	19.8	**228**	41.2
Petrolane	19.5	**225**	56.2	21.7	**167**	60.5
Cone Mills	19.4	**226**	–15.5	9.0	**852**	0.8
Fort Howard Paper	19.4	**227**	33.4	16.5	**369**	33.2
Research-Cottrell	19.4	**228**	20.2	12.6	**641**	46.8
Times Mirror	19.3	**229**	0.2	16.3	**386**	26.1
Wheelabrator-Frye	19.3	**229**	21.7	28.6	**80**	104.6
Combustion Engnrng	19.2	**231**	36.5	13.6	**571**	36.8
Archer Daniels Midland	19.1	**232**	104.6	14.1	**530**	62.6
Acme-Cleveland	19.1	**233**	–36.4	15.1	**456**	15.7
Air Prods & Chems	19.0	**234**	29.7	17.0	**348**	27.7
Amsted Industries	19.0	**235**	–18.0	12.4	**647**	1.7
Kroger	19.0	**235**	15.0	13.3	**589**	24.1
Farmers Group	18.9	**237**	17.9	14.5	**495**	21.7
Edison Bros Stores	18.9	**238**	4.6	12.9	**616**	17.5
Northwest Industries	18.9	**239**	54.2	19.8	**226**	35.9
American Natl Ins	18.9	**240**	2.3	9.6	**816**	3.7
Wyman-Gordon	18.8	**241**	97.9	17.8	**300**	42.3
Nordstrom	18.6	**242**	44.2	20.3	**205**	31.6
Magic Chef	18.4	**243**	49.3	17.4	**321**	53.7
Honeywell	18.4	**244**	18.7	10.9	**736**	23.5
Murphy Oil	18.4	**245**	70.3	17.4	**317**	46.2
St Paul Companies	18.4	**245**	–4.7	13.6	**566**	12.8
H J Heinz	18.4	**247**	50.1	12.1	**667**	43.2
Martin Marietta	18.4	**247**	22.0	14.2	**517**	46.5
Westinghouse Electric	18.3	**249**	27.2	5.7	**969**	21.4
Dexter	18.3	**250**	3.7	27.6	**87**	16.7
Engelhard	18.3	**250**	28.6	38.7	**28**	16.3
Masco	18.2	**252**	23.6	20.5	**199**	23.3
Burlington Northern	18.2	**253**	11.5	17.1	**340**	47.9
American Express	18.2	**254**	13.9	17.0	**348**	40.6
General Signal	18.2	**255**	20.2	22.1	**155**	28.1
Freeport-McMoran	18.1	**256**	61.4	17.2	**332**	67.8

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.2%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product,* which measures inflation in all sectors of the economy.
†Latest 12-months. P-D: profit to deficit. D-P: deficit to profit.

Who's where in growth

	Earnings per share			Sales		
Company	5-year average*	rank	81† vs 1978-80	5-year average*	rank	81† vs 1978-80
Heck's	18.1%	**257**	8.9%	21.9%	**159**	24.9%
W W Grainger	18.1	**258**	21.5	18.4	**274**	21.3
Reynolds Metals	18.1	**258**	–12.0	13.5	**577**	10.6
Fieldcrest Mills	18.0	**260**	–34.6	10.6	**752**	6.2
Union Pacific	18.0	**261**	10.4	21.5	**169**	55.1
Valley National	18.0	**261**	20.0	18.2	**282**	55.7
Marsh Supermarkets	17.9	**263**	48.0	11.7	**696**	16.2
Republic Finl Svcs	17.9	**264**	7.9	15.8	**422**	9.1
Gordon Jewelry	17.9	**265**	13.7	17.3	**326**	31.5
Denny's	17.9	**266**	27.3	22.2	**151**	40.3
Sigmor	17.8	**267**	21.3	38.9	**25**	112.0
Nashua	17.8	**268**	–39.0	15.9	**405**	12.4
Mercantile Texas	17.8	**269**	34.9	47.4	**11**	78.9
General Cinema	17.8	**270**	42.9	17.6	**308**	22.9
Security Pacific	17.8	**271**	19.7	19.9	**219**	62.3
Pay Less Drug NW	17.7	**272**	19.3	23.2	**139**	54.4
Empire	17.7	**273**	–45.2	29.0	**77**	27.1
Occidental Petroleum	17.7	**273**	29.3	16.1	**395**	42.3
Interpublic Group	17.7	**275**	–21.4	16.7	**363**	17.1
Blue Bell	17.7	**276**	–26.2	16.9	**353**	29.8
Alco Standard	17.6	**277**	16.4	16.5	**375**	33.3
Vulcan Materials	17.6	**277**	33.2	14.0	**542**	9.5
Howell	17.6	**279**	–35.3	30.2	**72**	–14.0
Reeves Brothers	17.6	**280**	47.7	9.8	**809**	14.9
Sysco	17.6	**281**	62.3	17.9	**295**	41.8
Texas Commerce Bshs	17.5	**282**	50.2	30.7	**66**	81.7
Gannett	17.5	**283**	24.0	23.7	**132**	34.0
Deluxe Check Printers	17.4	**284**	39.0	15.6	**430**	33.4
Barnes Group	17.4	**285**	–30.9	15.1	**453**	13.6
Knight-Ridder News	17.4	**285**	17.3	14.6	**489**	22.6
Zayre	17.4	**287**	44.4	7.5	**918**	16.3
Continental Corp	17.4	**288**	–35.3	10.8	**747**	6.5
PennCorp Financial	17.3	**289**	–75.5	16.1	**399**	–11.2
United States Shoe	17.3	**290**	49.6	12.5	**646**	13.3
First Interstate	17.2	**291**	14.8	16.8	**358**	52.6
Dresser Industries	17.2	**292**	33.1	18.3	**276**	27.9
Idle Wild Foods	17.2	**292**	15.7	10.2	**780**	10.1
Republic New York	17.1	**294**	50.6	40.3	**21**	103.3
Foxboro	17.1	**295**	0.4	14.3	**509**	23.9
Seagram	17.0	**296**	139.2	6.3	**954**	13.0
Dillon Companies	16.9	**297**	50.3	18.8	**263**	47.7
Host International	16.9	**298**	–58.7	12.0	**680**	17.5
Allis-Chalmers	16.8	**299**	–71.2	8.4	**876**	12.5
Amerada Hess	16.7	**300**	–32.1	18.8	**261**	44.4
Kimberly-Clark	16.7	**300**	–4.2	11.0	**731**	26.4
Mead	16.7	**300**	–11.6	12.6	**634**	13.5
George A Hormel	16.7	**303**	–6.5	7.3	**925**	6.3
Norfolk & Western Ry	16.7	**304**	51.3	6.9	**933**	25.8
Jack Eckerd	16.7	**305**	29.5	24.1	**119**	31.3
Maryland Cup	16.7	**306**	34.5	16.7	**362**	29.9
DeSoto	16.7	**307**	20.3	5.3	**977**	9.6
Standard Oil Calif	16.6	**308**	37.4	18.2	**284**	37.2
Weis Markets	16.6	**308**	27.1	13.6	**566**	23.4
Dorsey	16.6	**310**	–9.0	21.0	**177**	29.8
Pennzoil	16.6	**310**	6.7	19.6	**234**	32.5
Shell Oil	16.6	**312**	40.8	17.8	**302**	42.8
Reading & Bates	16.6	**313**	79.2	17.4	**317**	80.8
American Brands	16.6	**314**	12.0	10.3	**772**	12.4
Sonoco Products	16.5	**315**	36.7	15.2	**446**	25.8
Missouri Pacific	16.5	**316**	18.6	14.1	**532**	25.2
Browning-Ferris Inds	16.5	**317**	45.3	12.6	**632**	38.4
Niagara Frontier Services	16.5	**318**	–5.4	21.0	**178**	30.3
E-Systems	16.5	**319**	21.2	13.6	**562**	38.1
Farm House Foods	16.5	**319**	15.5	36.5	**36**	92.0

	Earnings per share			Sales		
Company	5-year average*	rank	81† vs 1978-80	5-year average*	rank	81† vs 1978-80
H H Robertson	16.5%	**321**	77.8%	9.2%	**839**	32.1%
H K Porter	16.5	**322**	–70.2	15.2	**451**	2.2
Universal Leaf	16.4	**323**	31.0	8.1	**890**	16.1
Quaker Oats	16.4	**324**	33.9	11.9	**687**	31.3
Mobil	16.4	**325**	21.0	21.7	**164**	36.8
Alleghany	16.3	**326**	34.9	43.4	**15**	69.4
Revlon	16.3	**326**	–7.4	22.2	**153**	32.6
Dow Jones	16.2	**328**	30.1	16.7	**363**	38.2
PepsiCo	16.2	**329**	24.5	20.2	**208**	31.8
Upjohn	16.1	**330**	4.7	14.6	**488**	23.6
Tyler	16.1	**331**	40.1	14.9	**466**	40.4
Marsh & McLennan Cos	16.0	**332**	10.8	17.8	**304**	47.3
Norton	16.0	**332**	3.4	16.5	**375**	17.8
Handy & Harman	16.0	**334**	26.1	11.9	**686**	3.9
Esmark	16.0	**335**	–29.4	1.9	**1004**	–36.9
Flowers Industries	16.0	**336**	41.3	19.4	**238**	26.3
Anheuser-Busch Cos	15.9	**337**	46.0	16.1	**397**	33.7
Cummins Engine	15.9	**338**	151.6	16.4	**384**	17.8
Knudsen	15.9	**339**	34.9	16.1	**397**	23.5
Southland	15.9	**339**	28.8	19.3	**239**	39.7
Seaway Food Town	15.8	**341**	22.6	13.3	**589**	32.8
Ex-Cell-O	15.8	**342**	14.7	18.4	**272**	25.3
Blount	15.8	**343**	–14.1	11.2	**717**	32.8
Petrie Stores	15.7	**344**	2.8	13.1	**599**	9.6
Transco Companies	15.7	**345**	47.5	27.4	**88**	100.9
First City Bancorp	15.7	**346**	49.8	27.9	**85**	80.7
SCM	15.7	**347**	3.0	8.1	**889**	12.0
Cyclops	15.7	**348**	73.8	10.7	**749**	18.0
Mallinckrodt	15.6	**349**	10.3	15.1	**457**	20.9
Fred Meyer	15.6	**350**	12.6	12.2	**663**	3.8
Time Inc	15.6	**351**	–13.1	23.5	**133**	35.6
Wickes Companies	15.6	**351**	–69.7	18.1	**287**	77.5
Nalco Chemical	15.6	**353**	35.8	14.8	**478**	16.9
Olin	15.6	**354**	–8.3	8.5	**874**	16.8
Ampco-Pittsburgh	15.6	**355**	35.2	21.0	**180**	57.1
Golden West Finl	15.6	**356**	–81.4	35.1	**43**	64.9
Standard Oil Indiana	15.6	**357**	30.1	19.1	**245**	47.5
A C Nielsen	15.5	**358**	34.5	18.7	**264**	42.9
Genuine Parts	15.5	**359**	25.3	16.1	**400**	19.5
Connecticut General	15.4	**360**	19.2	12.2	**657**	10.7
Motorola	15.4	**361**	16.5	14.2	**516**	22.7
General Mills	15.4	**362**	42.8	14.2	**515**	37.3
Lubrizol	15.4	**363**	–15.6	15.9	**407**	22.5
Republic of Texas	15.3	**364**	41.7	26.4	**97**	73.3
Brown Group	15.3	**365**	30.4	9.4	**828**	17.0
Dun & Bradstreet	15.3	**366**	31.9	13.8	**548**	33.5
Gifford-Hill	15.3	**367**	5.2	16.1	**396**	32.3
Oneok	15.3	**367**	21.8	29.5	**75**	50.1
Pillsbury	15.3	**369**	21.9	17.8	**303**	44.4
Southwest Forest Inds	15.2	**370**	–53.2	9.4	**834**	11.6
Amer Hospital Supply	15.2	**371**	17.7	15.8	**417**	31.8
Thiokol	15.2	**371**	3.4	13.1	**600**	19.3
U S Bancorp	15.2	**373**	23.1	17.6	**309**	49.6
First Intl Bshs	15.2	**374**	40.5	25.6	**106**	79.8
Midland-Ross	15.2	**374**	–20.8	14.5	**497**	19.1
Richardson-Vicks	15.2	**376**	36.1	16.3	**389**	36.9
Trane	15.1	**377**	12.7	12.3	**655**	21.6
Marathon Oil	15.1	**378**	26.0	21.0	**183**	37.8
Emerson Electric	15.1	**379**	27.5	18.5	**267**	30.9
Roper Corp	15.0	**380**	15.8	6.3	**953**	5.7
UAL	15.0	**380**	–70.1	12.9	**619**	22.8
Owens-Corning Fbrgls	14.9	**382**	–33.9	19.9	**224**	12.6
National Gypsum	14.9	**383**	–31.3	8.4	**878**	–1.7
Lone Star Industries	14.9	**384**	–13.7	8.0	**897**	1.2

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.2%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product,* which measures inflation in all sectors of the economy.

†Latest 12-months.

Who's where in growth

Company	Earnings per share			Sales		
	5-year average*	rank	81† vs 1978-80	5-year average*	rank	81† vs 1978-80
Texas Instruments	14.9%	**384**	–29.7%	18.8%	**261**	29.3%
Southern Railway	14.9	**386**	29.1	11.1	**726**	21.6
Provident Life & Acc	14.9	**387**	10.7	5.8	**968**	9.0
Waldbaum	14.8	**388**	21.5	14.1	**532**	23.7
Walt Disney	14.8	**389**	4.2	12.7	**627**	22.9
Square D	14.8	**390**	29.4	14.6	**489**	34.1
Continental Group	14.7	**391**	58.8	9.2	**841**	16.7
Borg-Warner	14.7	**392**	13.2	9.1	**846**	7.8
MCA	14.6	**393**	–23.1	14.3	**508**	8.1
Wells Fargo	14.6	**393**	5.2	19.8	**225**	58.2
Raymond Intl	14.6	**395**	–0.7	25.4	**108**	38.5
Central Steel & Wire	14.6	**396**	56.4	11.0	**733**	2.8
TRW	14.5	**397**	27.0	13.1	**605**	19.6
Illinois Tool Works	14.5	**398**	–0.2	12.9	**617**	15.4
Johnson & Johnson	14.5	**399**	13.0	16.6	**368**	25.6
Longs Drug Stores	14.4	**400**	10.7	17.2	**335**	23.1
Stanley Works	14.4	**401**	1.0	11.8	**689**	16.1
Rainier Bancorp	14.4	**402**	9.3	20.2	**207**	49.0
Univar	14.4	**402**	71.1	11.3	**713**	18.3
Earle M Jorgensen	14.4	**404**	38.2	11.2	**720**	17.6
Roadway Express	14.3	**405**	28.8	16.3	**389**	9.2
Minn Mining & Mfg	14.3	**406**	–8.9	13.3	**587**	19.3
Crocker National	14.2	**407**	–19.0	18.8	**255**	59.1
Intl Flavors & Frag	14.2	**407**	–13.8	14.1	**531**	10.1
Leaseway Transportation	14.2	**409**	5.4	13.4	**584**	8.5
So Natural Resources	14.2	**410**	32.1	22.8	**147**	67.5
United Technologies	14.2	**410**	20.7	23.0	**144**	48.7
Kidde	14.2	**412**	25.7	15.6	**433**	23.8
Santa Fe Industries	14.1	**413**	21.5	14.7	**486**	31.1
American Bakeries	14.1	**414**	P–D	5.8	**965**	0.2
Crown Cork & Seal	14.1	**414**	–18.0	13.0	**610**	1.5
Lincoln National	14.1	**414**	–5.5	13.0	**612**	20.5
Ball Corp	14.1	**417**	10.7	16.3	**388**	35.8
R R Donnelley & Sons	14.1	**418**	16.7	15.7	**427**	25.9
Zale	14.1	**419**	25.5	8.1	**894**	–10.5
Hershey Foods	14.0	**420**	48.7	16.4	**379**	32.5
Black & Decker	14.0	**421**	–21.6	15.7	**425**	19.1
Carson Pirie Scott	13.9	**422**	47.7	9.4	**830**	58.0
Moore McCormack Res	13.9	**423**	13.6	19.3	**242**	40.2
BankAmerica	13.8	**424**	–12.5	20.1	**213**	50.5
Avnet	13.8	**425**	17.4	15.0	**458**	23.8
National Svc Inds	13.8	**425**	30.9	9.4	**826**	21.2
Chesebrough-Pond's	13.7	**427**	33.5	15.8	**419**	27.8
Joy Manufacturing	13.7	**427**	76.6	13.5	**580**	35.2
Corning Glass Works	13.7	**429**	1.7	8.2	**888**	14.9
Figgie International	13.7	**430**	23.9	8.3	**884**	11.1
Rohm & Haas	13.6	**431**	11.3	10.9	**741**	24.1
General Dynamics	13.6	**432**	28.2	15.2	**446**	27.9
MAPCO	13.6	**432**	–10.3	35.7	**39**	99.8
Hoover Universal	13.6	**434**	12.4	13.2	**598**	0.1
Bristol-Myers	13.6	**435**	25.0	11.9	**685**	23.0
Seafirst	13.6	**436**	17.0	21.7	**163**	65.8
Kaneb Services	13.5	**437**	–5.6	37.1	**34**	44.8
Allen Group	13.5	**438**	–6.9	9.2	**840**	10.5
Campbell Taggart	13.5	**439**	22.1	12.5	**643**	22.3
Bucyrus-Erie	13.5	**440**	–29.0	12.2	**666**	–15.7
Panhandle Eastern	13.5	**440**	57.0	27.3	**91**	63.4
Avery International	13.4	**442**	3.6	14.8	**481**	14.3
Ametek	13.4	**443**	19.9	12.2	**663**	19.5
Economics Laboratory	13.4	**443**	3.1	14.8	**481**	35.9
Girard	13.4	**445**	18.3	10.6	**755**	38.1
Pacific Resources	13.3	**446**	–31.6	30.1	**73**	61.9
Irving Bank	13.3	**447**	37.4	16.9	**351**	70.5
Cannon Mills	13.3	**448**	17.0	9.4	**834**	22.8
Rollins	13.3%	**449**	48.2%	13.6%	**562**	38.9%
Union Oil California	13.3	**449**	43.9	14.4	**502**	32.8
Witco Chemical	13.3	**449**	–7.9	15.8	**413**	34.4
Northwest Energy	13.2	**452**	46.1	24.0	**126**	19.5
Texas Eastern	13.2	**452**	21.6	23.2	**138**	44.1
Kellogg	13.2	**454**	18.1	13.2	**596**	21.9
VF	13.2	**455**	50.1	8.8	**864**	30.0
Flickinger	13.2	**456**	41.8	15.4	**439**	28.1
CPC International	13.1	**457**	17.0	9.9	**805**	19.3
Barnett Banks Fla	13.0	**458**	25.3	17.5	**314**	60.8
Combined Internatl	13.0	**459**	18.3	13.2	**592**	24.0
Parker-Hannifin	13.0	**459**	17.7	18.7	**264**	34.7
InterNorth	12.9	**461**	28.1	20.6	**195**	42.0
Anderson, Clayton	12.9	**462**	36.4	7.3	**923**	32.3
Cessna Aircraft	12.9	**463**	61.4	16.7	**360**	17.8
Dennison Mfg	12.9	**464**	15.6	14.1	**532**	21.6
New York Times	12.9	**464**	48.3	10.6	**754**	30.2
Arvin Industries	12.8	**466**	–2.8	10.2	**780**	7.7
Holiday Inns	12.8	**466**	61.2	8.0	**897**	36.2
Thrifty Corp	12.8	**468**	32.7	12.2	**662**	23.2
Caterpillar Tractor	12.7	**469**	13.6	14.0	**539**	14.9
Cities Service	12.7	**470**	6.2	18.1	**285**	40.7
Sun Company	12.7	**470**	5.8	24.4	**116**	49.3
Delta Air Lines	12.7	**472**	6.2	16.5	**375**	44.7
Gulf United	12.6	**473**	18.2	17.1	**336**	73.8
E I du Pont	12.6	**474**	5.7	14.0	**540**	48.8
Bankers Trust N Y	12.6	**475**	27.8	16.8	**355**	58.3
Curtice-Burns	12.5	**476**	22.4	24.0	**125**	38.7
Emhart	12.5	**476**	–12.2	26.9	**94**	12.1
NL Industries	12.5	**478**	140.9	9.0	**856**	33.6
North Amer Philips	12.5	**479**	36.6	17.3	**330**	23.3
General Electric	12.4	**480**	16.3	11.6	**698**	19.0
American Family	12.4	**481**	–36.5	34.6	**46**	36.7
Nationwide	12.4	**482**	–10.1	10.4	**768**	5.6
Tecumseh Products	12.3	**483**	20.7	9.5	**824**	3.4
Industrial National	12.3	**484**	36.3	14.8	**474**	48.9
Westvaco	12.3	**484**	29.7	11.3	**709**	23.3
Whirlpool	12.3	**486**	37.1	7.4	**920**	15.4
Emery Air Freight	12.2	**487**	4.5	17.8	**304**	17.7
Rockwell Intl	12.2	**487**	15.8	9.5	**822**	12.6
American Home Products	12.2	**489**	22.6	10.9	**739**	19.1
Tyson Foods	12.2	**490**	–68.6	16.5	**378**	44.8
Malone & Hyde	12.2	**491**	–18.8	17.1	**338**	35.1
Nabisco Brands	12.2	**491**	26.8	8.9	**860**	15.8
Ogden	12.1	**493**	11.1	7.0	**930**	10.2
Pay'n Save	12.1	**493**	–8.4	22.0	**158**	26.3
Texas Gas Transmn	12.1	**493**	52.3	20.4	**201**	46.8
Northwest Bancorp	12.1	**496**	6.8	19.9	**222**	55.0
Ideal Basic Inds	12.1	**497**	–27.0	11.3	**712**	10.3
Procter & Gamble	12.0	**498**	20.1	13.5	**575**	22.7
IBM	12.0	**499**	6.9	12.7	**628**	19.2
Harsco	12.0	**500**	15.7	14.5	**498**	21.9
Becton, Dickinson	12.0	**501**	21.3	15.4	**439**	31.4
Merck	12.0	**501**	10.0	12.3	**653**	21.7
Giant Food	11.9	**503**	–36.2	11.1	**725**	24.7
Merrill Lynch	11.9	**503**	43.2	21.5	**170**	71.6
SEDCO	11.9	**503**	223.7	14.1	**527**	12.4
NCNB	11.9	**506**	9.0	16.3	**391**	62.3
K mart	11.9	**507**	–26.3	17.1	**344**	22.2
Suburban Propane Gas	11.9	**507**	25.0	21.0	**182**	51.9
Continental Illinois	11.9	**509**	18.0	23.2	**140**	72.6
General Foods	11.9	**510**	–3.6	11.2	**722**	23.4
Dart & Kraft	11.9	**511**	10.8	9.9	**805**	16.9
Consolidated Foods	11.8	**512**	30.1	14.2	**513**	23.9

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†Latest 12-months. P-D: profit to deficit.

Who's where in growth

	Earnings per share			Sales		
Company	5-year average*	rank	81† vs 1978-80	5-year average*	rank	81† vs 1978-80
Dana	11.8%	512	–18.7%	17.1%	336	8.7%
Exxon	11.8	514	40.2	17.0	348	32.6
Gt Northern Nekoosa	11.8	514	9.4	13.8	550	26.5
American Greetings	11.8	516	11.8	13.0	610	25.4
Hannaford Bros	11.8	517	56.1	12.7	625	24.2
First Wisconsin	11.8	518	19.7	12.0	676	34.5
Universal Foods	11.7	519	13.8	19.9	222	34.8
Dynalectron	11.7	520	318.2	20.1	211	30.9
CBI Industries	11.7	521	36.8	6.8	939	28.7
Jefferson-Pilot	11.7	521	9.1	10.4	762	16.0
Sperry	11.7	521	–26.4	10.4	766	14.5
Lucky Stores	11.7	524	–1.8	15.5	437	24.2
Coca-Cola	11.7	525	16.3	14.9	471	20.4
Celanese	11.6	526	10.7	11.2	715	24.6
Colt Industries	11.6	527	14.3	14.7	485	12.2
McCormick	11.6	527	24.7	16.4	379	34.8
Insilco	11.6	529	12.1	9.3	837	20.4
Winn-Dixie Stores	11.6	529	17.4	14.6	491	28.1
Carnation	11.6	531	8.8	10.1	789	16.9
Xerox	11.6	532	13.5	14.8	474	22.7
Union Camp	11.6	533	18.6	11.0	729	21.8
Stauffer Chemical	11.5	534	26.1	13.2	596	17.1
American Can	11.5	535	–30.5	10.9	741	8.4
Del E Webb	11.5	536	15.2	9.1	844	3.5
Consol Natural Gas	11.4	537	28.6	17.9	298	31.0
FMC	11.4	538	–19.2	9.6	815	5.0
Masonite	11.4	538	–28.3	10.3	774	1.9
Washington National	11.4	538	4.7	16.5	370	–11.0
Michigan National	11.4	541	–3.7	17.1	345	41.2
Southern Union	11.4	541	26.2	26.0	101	40.7
Harvey Hubbell	11.4	543	27.1	15.8	422	26.9
Capital Holding	11.4	544	14.5	10.0	798	66.5
CBS	11.4	544	–9.1	14.8	477	11.9
Mercantile Stores	11.3	546	33.6	12.2	658	18.5
West Point-Pepperell	11.3	546	17.0	13.8	548	16.6
Athlone Industries	11.3	548	72.9	5.3	977	14.9
Eli Lilly	11.1	549	11.1	14.6	487	22.4
Fleming Companies	11.1	550	29.3	14.1	529	19.2
Gulf & Western Inds	11.1	551	3.2	15.4	441	14.5
Gerber Products	11.0	552	27.0	11.4	708	18.0
Arkla	11.0	553	36.7	20.6	193	52.3
First Bank System	11.0	554	6.9	18.5	268	57.6
First Natl Boston	11.0	555	28.6	22.0	156	69.8
USLIFE	10.9	556	9.9	12.1	673	17.7
Penn Traffic	10.9	557	–15.6	17.6	307	14.6
Pacific Lighting	10.9	558	45.3	20.0	216	30.8
Imperial Corp of Am	10.9	559	P–D	20.3	204	39.6
Equitable of Iowa	10.8	560	–13.7	16.2	393	29.5
Schering-Plough	10.8	561	–15.1	15.0	461	27.6
IC Industries	10.8	562	12.8	19.9	221	20.3
Foremost-McKesson	10.8	563	5.1	9.5	824	17.8
Beatrice Foods	10.7	564	27.9	14.2	513	10.3
PPG Industries	10.7	564	20.8	11.2	717	12.5
Stanadyne	10.7	564	34.3	13.3	589	12.4
Dean Witter Reynolds	10.7	567	108.4	27.8	86	64.8
Riegel Textile	10.7	567	13.1	9.1	847	24.0
Turner Construction	10.7	569	68.3	14.8	480	35.9
Wachovia	10.7	569	23.9	14.1	525	53.9
Ralston Purina	10.6	571	17.4	10.2	785	15.7
Gt Western Financial	10.6	572	–88.8	17.9	295	31.5
Interpace	10.6	572	–12.4	5.6	971	10.0
Avon Products	10.5	574	–1.8	12.9	620	14.4
McGraw-Edison	10.5	575	1.6	13.5	580	50.9
DEKALB AgResearch	10.4	576	–10.2	15.8	411	40.0
Electronic Data Syst	10.4%	577	59.9%	21.1%	174	66.4%
Timken	10.3	578	1.4	12.6	639	15.1
Pittsburgh National	10.3	579	19.6	20.0	218	70.3
Borden	10.3	580	14.6	7.0	931	5.2
Jewel Companies	10.3	581	57.3	9.2	838	25.1
R J Reynolds Inds	10.3	581	24.9	15.4	438	32.4
Godfrey	10.3	583	–6.8	12.2	663	20.2
J P Morgan	10.2	584	5.1	20.1	211	69.0
Dibrell Brothers	10.2	585	45.0	10.5	759	13.6
Allied Stores	10.2	586	0.2	6.0	961	14.3
Louisiana Land	10.2	587	16.9	26.1	100	45.8
Moore Corp	10.2	588	16.2	13.3	587	19.4
May Dept Stores	10.1	589	4.9	10.3	777	15.6
Chemical New York	10.1	590	44.5	19.3	242	62.0
UGI	10.1	590	33.3	19.6	233	84.5
Scott Paper	10.1	592	–5.1	11.8	689	17.3
Strawbridge & Clothier	10.1	592	14.5	9.7	811	11.1
Hart Schaffner & Marx	10.0	594	23.4	6.3	956	22.4
Super Food Services	10.0	595	–30.2	17.4	322	22.9
A E Staley Mfg	10.0	596	154.9	19.8	228	39.8
Armco	10.0	597	7.3	13.1	606	32.6
Bemis	10.0	598	–3.8	4.3	986	6.6
Eastman Kodak	10.0	598	25.0	12.8	623	25.6
First Union Bancorp	10.0	598	19.7	19.9	220	72.1
Louisiana-Pacific	9.9	601	–60.8	21.1	176	–5.1
Norris Industries	9.9	601	7.5	10.3	769	4.4
North American Coal	9.9	601	–66.0	14.0	536	29.3
Pennwalt	9.9	601	–25.2	11.1	723	12.2
Mellon National	9.9	605	12.2	15.2	446	77.0
Consolidated Edison	9.9	606	35.4	10.0	796	38.1
Owens-Illinois	9.9	606	21.5	10.6	753	14.0
Liberty Natl Ins Hld	9.9	608	20.2	10.5	761	35.7
United Telecom	9.9	609	34.4	13.8	550	26.7
Fruehauf	9.8	610	–46.7	15.8	413	–3.6
Gates Learjet	9.8	611	47.8	23.9	127	54.9
Southeast Banking	9.8	611	19.6	18.8	257	66.3
Signode	9.8	613	–22.4	12.0	680	5.2
ENSERCH	9.8	614	79.2	30.5	69	45.3
Intl Multifoods	9.8	614	28.7	6.0	964	14.6
Stone Container	9.6	616	61.9	11.8	691	23.8
Kerr Glass Mfg	9.6	617	11.7	12.4	650	33.9
Federated Dept Stores	9.6	618	10.3	11.4	706	17.6
AMAX	9.5	619	–19.1	16.4	383	11.9
NVF	9.5	620	–11.8	12.4	649	48.4
Briggs & Stratton	9.5	621	–49.2	13.4	585	–4.8
Pfizer	9.5	622	–12.2	12.4	648	19.9
H F Ahmanson	9.4	623	P–D	19.3	241	28.1
King Kullen Grocery	9.4	623	12.6	14.4	501	28.3
Scott & Fetzer	9.4	623	–4.3	14.7	484	7.2
Central Tel & Utils	9.4	626	14.4	17.1	341	28.5
Rexnord	9.4	626	–29.4	14.2	518	14.8
Willamette Inds	9.4	628	–37.3	16.8	355	17.2
Chase Manhattan	9.3	629	21.0	18.3	277	61.9
B F Goodrich	9.3	630	–3.4	9.3	836	11.2
Manufacturers Hanover	9.2	631	13.9	22.0	157	78.3
Georgia-Pacific	9.2	632	–31.4	15.0	460	13.0
Ryan Homes	9.2	633	–43.4	16.4	379	–5.9
Gulf Oil	9.1	634	5.2	12.2	658	20.3
Phillips-Van Heusen	9.0	635	16.4	4.3	984	13.1
Campbell Soup	9.0	636	5.4	10.3	769	25.1
National Can	9.0	637	–18.0	12.7	626	16.0
Hammermill Paper	8.9	638	25.5	14.2	518	22.2
NICOR	8.9	638	7.3	20.8	187	27.9
American Tel & Tel	8.9	640	6.6	11.6	698	20.8

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†Latest 12-months. P-D: profit to deficit

Who's where in growth

	Earnings per share			Sales		
Company	5-year average*	rank	81† vs 1978-80	5-year average*	rank	81† vs 1978-80
DETROITBANK	8.9%	**641**	–9.5%	17.3%	**326**	49.3%
Perini	8.9	**641**	146.9	19.0	**250**	47.2
NBD Bancorp	8.9	**643**	–4.6	14.2	**518**	59.5
Colonial Penn Group	8.8	**644**	–69.4	21.7	**165**	55.5
Kerr-McGee	8.8	**644**	28.0	16.0	**403**	34.9
NLT	8.8	**644**	4.8	8.9	**857**	8.3
Maryland National	8.8	**647**	35.0	18.7	**266**	46.4
Transway Intl	8.8	**647**	–5.8	8.2	**887**	–6.9
F W Woolworth	8.8	**649**	–25.3	9.6	**818**	8.5
Potlatch	8.7	**650**	–42.4	10.4	**765**	10.8
Brooklyn Union Gas	8.7	**651**	21.3	18.2	**280**	43.5
Interco	8.6	**652**	11.1	10.8	**745**	24.4
Sunbeam	8.6	**653**	–2.0	10.8	**744**	9.6
Duke Power	8.6	**654**	11.0	14.1	**527**	21.3
Eaton	8.6	**654**	–40.0	13.1	**602**	2.2
Ethyl	8.6	**654**	–1.3	11.7	**692**	9.4
TECO Energy	8.6	**657**	27.4	18.0	**290**	41.9
Butler Manufacturing	8.5	**658**	–19.2	10.1	**792**	–0.1
International Paper	8.5	**659**	–6.7	10.0	**798**	14.6
Anchor Hocking	8.5	**660**	–8.6	11.9	**683**	18.7
Dow Chemical	8.5	**660**	–10.3	16.4	**384**	30.7
Echlin Manufacturing	8.4	**662**	–37.3	15.8	**419**	41.1
Intl Minerals & Chem	8.4	**662**	17.9	12.1	**670**	29.4
Texaco	8.3	**664**	44.7	16.6	**366**	46.0
Chromalloy American	8.3	**665**	–15.6	13.4	**583**	–4.4
Norton Simon	8.3	**666**	–3.5	11.3	**709**	16.8
McDonnell Douglas	8.2	**667**	9.5	10.6	**756**	31.7
Citicorp	8.2	**668**	–17.0	22.9	**145**	59.0
Nash Finch	8.2	**668**	9.0	13.6	**571**	22.6
Polaroid	8.2	**670**	–23.2	12.1	**667**	2.8
So New England Tel	8.2	**670**	44.5	11.3	**713**	30.1
Atlanta Gas Light	8.1	**672**	–13.9	20.2	**210**	47.9
CSX	8.1	**673**	43.5	11.0	**731**	22.7
Allied Van Lines	8.0	**674**	257.7	12.3	**651**	14.8
Mercantile Bancorp	7.9	**675**	12.3	18.9	**253**	45.9
Springs Mills	7.9	**675**	–21.5	7.9	**905**	19.1
W R Grace	7.9	**677**	43.1	10.7	**750**	23.6
Kaiser Steel	7.9	**677**	–22.4	7.9	**906**	24.6
Allegheny Int'l	7.9	**679**	–11.0	9.6	**819**	21.2
RCA	7.8	**680**	–99.5	9.5	**822**	8.6
Eagle-Picher Inds	7.8	**681**	–16.9	10.2	**780**	9.7
Laclede Gas	7.7	**682**	–11.5	17.3	**324**	11.7
Clorox	7.7	**683**	15.6	6.9	**934**	–5.9
Deere	7.7	**683**	–16.3	14.3	**506**	12.5
Southern Pacific	7.7	**683**	11.7	9.7	**813**	24.3
National City	7.6	**686**	–19.3	21.3	**171**	50.5
Tenneco	7.6	**686**	7.8	18.0	**292**	33.8
White Consolidated	7.6	**688**	23.1	13.1	**600**	16.6
Harcourt Brace Jovan	7.6	**689**	17.0	16.5	**370**	14.6
Minnesota Gas	7.5	**690**	–2.5	21.1	**175**	30.1
Houston Industries	7.5	**691**	4.6	28.4	**83**	56.7
Southwestern Pub Svc	7.4	**692**	23.0	21.8	**160**	34.1
Lockheed	7.3	**693**	73.2	8.1	**891**	38.7
Lowe's Companies	7.2	**694**	–23.7	14.8	**478**	7.0
AmeriTrust	7.2	**695**	2.2	14.4	**503**	32.0
General Tel & Elec	7.2	**696**	9.7	11.1	**728**	11.3
Modern Merchandising	7.2	**697**	–49.1	25.7	**105**	14.9
Ferro	7.2	**698**	–30.2	14.5	**496**	21.3
Wisconsin Public Svc	7.1	**699**	4.3	15.3	**445**	23.0
Fischbach	7.1	**700**	43.6	8.8	**863**	30.7
Manville	7.0	**701**	–65.1	13.6	**566**	8.7
Robertshaw Controls	7.0	**701**	–4.9	10.1	**793**	10.4
Paine Webber	7.0	**703**	7.1	30.6	**67**	67.9
Newmont Mining	7.0	**704**	–24.3	10.5	**760**	8.0
Hercules	7.0%	**705**	–2.0%	11.0%	**729**	19.6%
Purex Industries	7.0	**706**	13.0	7.7	**912**	12.0
ACF Industries	6.9	**707**	–33.6	12.2	**661**	–1.2
Florida Power & Lt	6.9	**708**	–15.0	17.4	**320**	45.5
Wm Wrigley Jr	6.9	**708**	–4.1	12.1	**672**	21.0
Walter E Heller Intl	6.9	**710**	8.8	17.1	**343**	42.9
Heublein	6.8	**711**	36.9	6.8	**938**	17.7
Savannah Foods	6.8	**711**	6129.6	4.3	**984**	46.4
Greyhound	6.8	**713**	36.8	5.4	**972**	3.8
Peoples Energy	6.8	**713**	6.0	23.8	**130**	39.2
Tiger International	6.8	**713**	–55.6	25.5	**107**	57.5
Allied Corp	6.8	**716**	141.7	16.5	**373**	40.8
Commonwealth Energy	6.8	**717**	–16.6	12.0	**679**	35.0
Ingersoll-Rand	6.8	**717**	15.7	13.8	**553**	26.5
New England Electric	6.8	**717**	16.6	11.7	**694**	40.2
American Petrofina	6.7	**720**	4.0	17.9	**294**	61.0
Clark Equipment	6.7	**721**	–36.9	4.2	**987**	–12.6
Playboy Enterprises	6.7	**722**	37.4	9.8	**808**	27.0
Liquid Air	6.6	**723**	7.5	13.2	**592**	17.6
Maytag	6.6	**724**	–2.8	8.3	**882**	18.0
ASARCO	6.6	**725**	–68.2	6.2	**957**	–8.4
Weyerhaeuser	6.6	**726**	–48.8	11.7	**693**	5.5
Saga	6.4	**727**	110.9	17.4	**315**	29.4
Culbro	6.4	**728**	D–P	5.3	**975**	–3.5
J C Penney	6.4	**728**	32.6	9.5	**820**	7.1
Crane	6.4	**730**	17.2	6.6	**943**	12.5
National Distillers	6.3	**731**	8.7	8.0	**902**	2.6
Stewart-Warner	6.3	**731**	–17.9	6.3	**952**	–4.5
Alexander & Baldwin	6.3	**733**	–15.0	7.8	**910**	7.6
Stop & Shop	6.3	**734**	6.2	9.1	**850**	13.9
Varian Associates	6.2	**735**	P–D	12.5	**643**	26.4
Texas Utilities	6.1	**736**	28.9	19.7	**231**	41.2
Continental Tel	6.1	**737**	6.5	13.6	**566**	30.2
Sterling Drug	6.1	**738**	9.3	11.0	**735**	20.1
Gould	6.1	**739**	–29.4	20.3	**203**	–5.0
Florida Power	6.0	**740**	28.9	18.2	**280**	42.1
Central & South West	6.0	**741**	8.9	19.0	**249**	30.8
ARA Services	6.0	**742**	–21.0	15.5	**435**	25.6
Union Carbide	6.0	**742**	18.5	12.7	**630**	15.5
M Lowenstein	6.0	**744**	274.2	3.2	**997**	–3.2
First Natl Supermkts	5.9	**745**	16.8	38.5	**30**	–3.0
Columbia Gas System	5.9	**746**	15.1	18.1	**286**	38.6
Champion Intl	5.9	**747**	–42.5	8.8	**864**	10.3
Lane Bryant	5.9	**747**	17.1	4.2	**988**	7.6
Dravo	5.9	**749**	–33.3	13.0	**612**	41.1
Wetterau	5.8	**750**	–40.9	13.0	**614**	37.7
Northern Trust	5.7	**751**	22.1	16.3	**387**	61.8
Koppers	5.7	**752**	–43.3	14.0	**536**	13.1
Public Service Indiana	5.6	**753**	–8.1	15.8	**411**	15.1
Wisconsin Pwr & Lt	5.6	**754**	23.5	15.8	**417**	22.8
WICOR	5.6	**755**	–8.4	17.2	**331**	33.6
Philadelphia Natl	5.5	**756**	–5.0	13.5	**577**	36.7
Diamond Shamrock	5.5	**757**	–50.7	20.6	**191**	40.0
Hanna Mining	5.4	**758**	31.6	4.9	**979**	–11.8
Hawaiian Electric	5.4	**759**	0.3	19.4	**237**	72.2
Amfac	5.3	**760**	–1.5	10.4	**762**	26.5
Dayco	5.3	**761**	–58.4	10.7	**748**	8.3
Collins & Aikman	5.3	**762**	1.4	9.7	**811**	10.5
Manufacturers National	5.3	**762**	–78.9	17.3	**324**	49.7
Dillard Dept Stores	5.2	**764**	52.3	18.9	**251**	39.4
National Fuel Gas	5.2	**764**	40.0	17.1	**341**	41.0
Squibb	5.2	**766**	–9.9	9.4	**832**	17.2
Wisconsin Elec Power	5.2	**766**	2.4	13.7	**556**	24.9
Bank of New York	5.1	**768**	8.1	23.1	**141**	78.3

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.2%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product,* which measures inflation in all sectors of the economy.
†Latest 12-months. P-D: profit to deficit. D-P: deficit to profit.

Who's where in growth

Company	Earnings per share			Sales		
	5-year average*	rank	81† vs 1978-80	5-year average*	rank	81† vs 1978-80
Indianapolis Pwr & Lt	5.1%	769	–6.3%	14.9%	470	2.2%
Zapata	5.1	770	195.1	12.9	620	4.9
St Regis Paper	5.1	771	13.2	13.2	595	14.7
Equifax	5.0	772	53.1	9.1	844	18.7
Household Intl	5.0	773	–40.6	13.9	545	28.8
Allied Maintenance	4.9	774	36.5	10.9	736	18.6
Copperweld	4.9	774	98.5	11.9	683	26.9
Textron	4.9	776	–37.2	8.6	872	1.5
Consumers Power	4.9	777	9.2	13.4	582	32.5
Federal Co	4.9	778	–25.2	15.8	422	34.0
Colgate-Palmolive	4.6	779	7.6	12.1	670	12.9
First Charter Finl	4.6	780	P–D	18.4	273	18.6
Purolator	4.6	780	77.8	11.9	682	40.3
Armstrong World Inds	4.6	782	–1.5	8.7	867	6.6
Kansas Power & Light	4.5	783	8.6	17.3	323	16.7
Genl Tire & Rubber	4.5	784	61.6	7.3	922	12.9
Washington Gas Light	4.5	785	17.0	14.9	469	30.0
Peavey	4.5	786	34.6	8.6	870	33.0
Amer Hoist & Derrick	4.4	787	–0.7	9.0	854	10.5
Southern Calif Edison	4.3	788	14.2	15.9	407	39.7
No States Power	4.3	789	12.8	12.9	617	17.5
Fleetwood Enterprises	4.2	790	–33.0	13.6	573	–23.5
Stokely-Van Camp	4.2	791	4.5	6.0	960	8.9
Goodyear	4.1	792	11.1	9.6	816	13.0
Potomac Elec Power	4.0	793	13.9	13.8	552	27.2
American Cyanamid	4.0	794	11.4	12.3	652	16.3
Gillette	4.0	794	–17.6	10.4	767	17.9
Cincinnati G & E	4.0	796	–8.1	15.1	454	22.2
Intl Tel & Tel	3.9	797	–12.0	9.1	850	4.5
Frederick & Herrud	3.8	798	–89.7	14.9	471	22.1
Republic Steel	3.8	799	116.5	10.5	757	18.8
Rochester Gas & Elec	3.8	799	23.1	12.7	628	38.1
Arizona Public Service	3.8	801	3.3	18.2	279	26.6
N Y State Elec & Gas	3.8	801	–0.5	14.0	538	24.3
Pub Svc Elec & Gas	3.8	801	–9.6	13.2	592	32.7
Boston Edison	3.8	804	41.3	12.6	638	38.7
Burroughs	3.7	805	–92.2	12.5	643	16.0
Safeway Stores	3.7	805	–20.1	10.9	743	18.3
Sears Roebuck	3.7	807	–31.6	8.6	873	7.1
BancOhio	3.7	808	47.9	15.9	405	38.9
Jim Walter	3.6	809	–78.2	9.9	803	8.6
Gas Service	3.6	810	–22.5	17.6	310	26.7
Carter Hawley Hale	3.4	811	–21.1	15.0	461	18.1
Baltimore Gas & Elec	3.3	812	10.3	13.0	607	27.7
Amer Natl Resources	3.3	813	20.4	20.8	186	12.8
GATX	3.3	814	3.0	9.1	843	31.5
Yellow Freight System	3.3	814	–29.5	15.6	430	11.1
KDT Industries	3.2	816	–87.0	16.8	355	41.0
A H Robins	3.2	816	–14.7	12.1	675	14.1
Hoover	3.2	818	P–D	6.5	945	2.7
Sybron	3.2	819	–3.6	8.0	899	10.4
Ceco	3.1	820	10.4	8.4	880	13.0
Easco	3.1	820	66.0	13.3	586	22.6
UMC Industries	3.1	822	–19.1	9.4	828	2.1
Coastal Corp	3.1	823	P–D	35.6	40	46.3
Union Electric	3.1	824	–9.1	13.5	576	9.8
Gulf States Utils	3.0	825	20.7	20.6	191	38.8
So Carolina E & G	2.9	826	18.0	16.0	402	31.2
Olympia Brewing	2.9	827	–89.2	12.0	678	6.2
Carolina Pwr & Lt	2.9	828	11.4	15.9	409	35.9
Amerace	2.8	829	–14.1	7.7	911	3.2
Commercial Metals	2.8	830	–16.1	18.4	270	29.3
Federal Paper Board	2.7	831	43.3	6.4	949	18.4
Middle South Utils	2.7	831	10.0	19.1	246	39.3
Niagara Mohawk Power	2.7%	831	17.7%	13.6%	574	37.8%
Crown Zellerbach	2.7	834	–37.4	11.2	719	14.0
Amer Maize-Products	2.7	835	38.6	12.6	633	17.7
Long Island Lighting	2.6	836	6.9	15.0	461	48.6
Penn Power & Light	2.5	837	3.4	12.6	634	22.2
Marine Midland Banks	2.4	838	35.4	12.6	639	64.2
Pac Gamble Robinson	2.4	839	–7.7	8.9	861	16.3
Detroit Edison	2.4	840	17.6	13.0	614	19.3
Illinois Power	2.4	840	1.1	16.5	370	19.7
Burlington Inds	2.3	842	51.3	5.4	973	22.4
Pacific Gas & Elec	2.3	842	–0.6	19.1	246	39.2
Pacific Pwr & Lt	2.2	844	12.8	23.3	137	52.8
Adolph Coors	2.2	845	–29.1	10.4	764	21.5
Amstar	2.0	846	266.5	3.4	994	74.3
Northwest Airlines	2.0	846	–58.7	13.6	566	47.1
Northwestern Steel	2.0	848	–8.8	9.5	820	11.7
Quaker State Oil	1.9	849	–8.2	20.0	217	34.2
Cleveland Elec Illum	1.8	850	9.5	13.7	561	22.6
Brunswick	1.7	851	38.4	9.0	854	10.0
Citizens & Sthrn Ga	1.7	852	81.0	10.0	795	43.3
Brockway Glass	1.7	853	2.5	14.2	518	26.0
National-Standard	1.3	854	–89.0	8.9	858	–0.7
Associated Dry Goods	1.2	855	17.4	7.0	931	36.3
Central Ill Pub Svc	1.2	855	–7.7	16.5	373	12.7
Utah Power & Light	1.2	855	28.1	23.1	142	26.9
Castle & Cooke	1.2	858	–17.3	15.7	429	28.5
San Diego Gas & Elec	1.2	859	41.0	20.7	188	44.1
First Chicago	1.1	860	–9.7	17.0	347	54.0
Delmarva Power & Lt	1.1	861	–7.7	14.0	540	35.1
Louisville Gas & Elec	0.9	862	37.7	16.1	401	30.6
Allegheny Power	0.8	863	32.8	15.5	436	46.8
Central Soya	0.5	864	–40.0	8.0	895	20.3
Kellwood	0.5	864	–47.8	8.0	901	17.2
Toro	0.5	864	P–D	18.1	287	–31.2
Montana Power	0.5	867	27.1	20.6	196	29.2
Harris Bankcorp	0.4	868	–12.6	17.3	326	53.8
Lukens Steel	0.3	869	32.0	8.0	895	21.8
First Boston	0.3	870	32.1	32.0	55	68.5
Kansas City Pwr & Lt	0.2	871	–7.4	14.6	494	6.2
Phila Electric	0.2	872	12.0	13.0	607	36.6
Central Illinois Lt	0.1	873	11.6	17.9	293	17.5
Western Union	0.0	874	118.1	7.2	927	21.2
Longview Fibre	0.0	875	–77.7	10.0	797	16.7
Certain-teed	–0.2	876	P–D	10.8	745	3.5
Southern Company	–0.4	877	11.6	16.3	392	28.4
CFS Continental	–0.4	878	57.4	15.2	450	22.0
Diamond Intl	–0.5	879	–34.4	10.1	789	14.4
Monsanto	–0.5	880	16.8	12.6	634	19.0
Champion Spark Plug	–0.5	881	–46.9	10.9	736	6.3
Eastern Gas & Fuel	–0.6	882	29.9	11.5	705	29.2
Armstrong Rubber	–0.6	883	D–P	9.7	810	43.5
Saxon Industries	–0.6	884	–48.1	9.0	853	17.1
Commonwealth Edison	–0.7	885	8.0	13.7	559	29.7
Williams Companies	–0.8	886	71.3	15.7	426	13.6
General Motors	–0.8	887	–85.2	11.1	726	1.5
Va Electric & Power	–0.8	887	2.0	17.4	317	19.4
Dayton Power & Light	–0.8	889	34.2	14.4	499	26.9
Warner-Lambert	–0.8	889	–94.5	10.2	786	7.8
AMF	–0.9	891	–68.5	6.4	948	–6.6
McDermott	–0.9	892	99.0	32.4	54	30.0
Libbey-Owens-Ford	–1.1	893	–82.4	10.3	774	7.4
Skyline	–1.2	894	–42.7	4.6	981	–25.7
Consol Petroleum	–1.3	895	–56.4	106.8	1	213.2
Oklahoma Gas & Elec	–1.3	896	6.7	19.8	226	30.1

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.2%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product,* which measures inflation in all sectors of the economy.
†Latest 12-months. P-D: profit to deficit. D-P: deficit to profit.

Who's where in growth

Company	Earnings per share			Sales		
	5-year average*	rank	81† vs 1978-80	5-year average*	rank	81† vs 1978-80
National Steel	–1.3%	**897**	–19.4%	10.3%	**772**	4.2%
Inland Steel	–1.3	**898**	–16.1	10.2	**783**	13.9
Royal Crown Cos	–1.8	**899**	27.2	12.3	**655**	7.9
American Elec Power	–1.8	**900**	–4.3	17.9	**299**	38.6
Interlake	–1.9	**901**	149.6	11.6	**697**	1.6
Toledo Edison	–1.9	**902**	1.0	17.5	**312**	18.0
Marshall Field	–2.1	**903**	8.5	10.3	**777**	26.8
G D Searle	–2.1	**904**	6.0	9.9	**802**	2.9
Northeast Utilities	–2.1	**905**	4.4	12.0	**677**	48.7
Avondale Mills	–2.7	**906**	–18.1	7.6	**914**	6.9
Public Service Colo	–2.9	**907**	25.4	19.6	**232**	38.5
Pettibone	–3.1	**908**	P–D	12.2	**660**	3.3
J P Stevens	–3.2	**909**	P–D	8.7	**868**	9.0
Ohio Edison	–3.5	**910**	17.1	15.0	**464**	23.8
G C Murphy	–3.6	**911**	58.8	7.8	**907**	7.5
Chic Pneumatic Tool	–3.6	**912**	–59.9	11.2	**720**	12.3
Tesoro Petroleum	–3.7	**913**	12.3	31.7	**58**	28.4
Beneficial Corp	–3.8	**914**	P–D	8.0	**899**	6.5
Harnischfeger	–4.4	**915**	283.1	14.2	**523**	16.2
Reichhold Chemicals	–4.7	**916**	59.9	15.8	**413**	14.7
Phelps Dodge	–4.8	**917**	12.9	6.5	**946**	15.7
No Indiana Pub Svc	–4.8	**918**	2.6	19.5	**235**	30.2
Kentucky Utilities	–5.1	**919**	–3.8	15.0	**464**	25.0
Duquesne Light	–5.2	**920**	15.2	14.1	**535**	22.7
Gibraltar Financial	–5.4	**921**	P–D	23.3	**135**	31.8
Outboard Marine	–5.4	**922**	78.2	8.0	**903**	11.9
Edward Hines Lumber	–6.0	**923**	P–D	10.1	**789**	–14.0
United States Steel	–6.4	**924**	982.2	9.4	**826**	15.8
Gino's	–6.5	**925**	–42.9	9.1	**847**	1.1
Portland Genl Elec	–6.8	**926**	50.3	20.3	**202**	50.2
Akzona	–6.8	**927**	–14.8	7.5	**916**	21.7
Graniteville	–7.5	**928**	–32.7	7.8	**909**	16.9
Bell & Howell	–8.0	**929**	570.5	7.4	**921**	18.6
Sherwin-Williams	–8.0	**930**	129.6	8.7	**868**	17.1
Ramada Inns	–8.2	**931**	P–D	11.4	**706**	13.9
Fedl Natl Mortgage	–8.2	**932**	P–D	14.9	**466**	30.4
General Public Utils	–8.4	**933**	–75.7	14.0	**542**	29.5
McLean Trucking	–8.7	**934**	P–D	14.6	**492**	3.0
Wheeling-Pitts Steel	–9.3	**935**	–35.3	6.4	**950**	5.2
Mohasco	–10.2	**936**	32.9	5.7	**970**	–7.1
Ford Motor	–10.4	**937**	P–D	10.9	**739**	–4.1
Sheller-Globe	–10.8	**938**	1330.9	10.0	**798**	–10.0
Kane-Miller	–11.4	**939**	112.6	3.2	**998**	–7.1
Pittston	–11.9	**940**	–38.3	9.9	**803**	31.7
Intl Harvester	–12.8	**941**	P–D	8.4	**878**	6.5
Inco	–13.1	**942**	–59.7	10.7	**750**	13.1
Pabst Brewing	–14.0	**943**	P–D	6.3	**954**	4.3
Zenith Radio	–14.0	**944**	–11.2	3.5	**993**	16.2
U S Industries	–14.8	**945**	P–D	–3.7	**1014**	–15.9
Western Air Lines	–15.3	**946**	P–D	13.6	**564**	17.2
Fidelcor	–15.7	**947**	2873.3	6.9	**936**	38.7
Fisher Foods	–16.4	**948**	204.1	5.8	**966**	8.3
Amdahl	–17.7	**949**	–13.4	23.0	**143**	26.3
Bethlehem Steel	–17.8	**950**	13.8	7.5	**916**	9.9
Bird & Son	–18.5	**951**	P–D	12.3	**654**	–6.3
Telecom	–19.7	**952**	P–D	31.9	**56**	92.0
Questor	–22.0	**953**	25.0	3.7	**990**	8.5
El Paso	–22.5	**954**	D–P	18.8	**259**	38.4
Alexander's	–24.3	**955**	P–D	6.4	**950**	12.9
Allied Products	–26.3	**956**	–74.1	3.5	**992**	–13.7
Macmillan	–27.[illegible]	**957**	D–P	3.3	**996**	–11.7
Munford	–29.[illegible]	**958**	910.2	5.4	**974**	17.4
Republic Airlines	–31.6	**959**	P–D	35.8	**38**	134.5
Keystone Consolidated	–49.4	**960**	D–P	5.8	**966**	5.5

Company	Earnings per share			Sales		
	5-year average*	rank	81† vs 1978-80	5-year average*	rank	81† vs 1978-80
Westmoreland Coal	–51.6%	**961**	P–D	4.7%	**980**	21.6%
Firestone	–55.5	**962**	D–P	6.8	**937**	–10.4
AM International	P–D	**963**	P–D	7.8	**907**	15.3
American Motors	P–D	**963**	D–D	6.1	**958**	–4.6
Borman's	P–D	**963**	P–D	11.7	**695**	11.8
Braniff Intl	P–D	**963**	D–D	17.3	**329**	1.9
Cal-Maine Foods	P–D	**963**	D–D	10.3	**776**	–1.6
Chrysler	P–D	**963**	D–D	0.9	**1008**	–6.7
Continental Airlines	P–D	**963**	P–D	14.0	**544**	14.0
Envirotech	P–D	**963**	D–D	7.6	**915**	–24.4
First Pennsylvania	P–D	**963**	D–D	8.5	**875**	–13.8
GAF	P–D	**963**	D–P	0.0	**1010**	–28.8
General Host	P–D	**963**	P–D	–0.9	**1011**	–23.6
General Refractories	P–D	**963**	P–D	8.9	**858**	–8.7
Goldblatt Brothers	P–D	**963**	D–D	0.7	**1009**	–29.1
Gulf Resources & Chem	P–D	**963**	P–D	15.1	**452**	–13.8
Interstate Bakeries	P–D	**963**	P–D	9.4	**832**	11.8
Jonathan Logan	P–D	**963**	D–D	4.0	**989**	–1.5
Massey-Ferguson	P–D	**963**	D–D	8.4	**876**	–7.4
McLouth Steel	P–D	**963**	D–D	9.9	**807**	4.9
Monfort of Colorado	P–D	**963**	D–P	13.8	**555**	34.7
Pantry Pride	P–D	**963**	D–D	–4.6	**1017**	–31.9
Peabody Intl	P–D	**963**	P–D	12.1	**674**	8.5
Penn-Dixie Inds	P–D	**963**	D–D	1.0	**1005**	–27.2
Sambo's Restaurants	P–D	**963**	D–D	18.8	**257**	–10.1
Jos Schlitz Brewing	P–D	**963**	D–D	2.3	**1002**	–0.9
Scot Lad Foods	P–D	**963**	18.4%	2.7	**1000**	7.8
Talley Industries	P–D	**963**	D–D	3.7	**991**	–16.7
Uniroyal	P–D	**963**	D–P	3.2	**998**	–9.4
United Merch & Mfrs	P–D	**963**	D–P	–7.3	**1019**	4.3
Vornado	P–D	**963**	P–D	–4.5	**1016**	–13.2
Allied Supermarkets	D–D	**992**	D–P	–7.3	**1020**	–3.8
Commonwealth Oil Rfg	D–D	**992**	D–D	8.1	**893**	0.4
Genesco	D–D	**992**	239.8	–6.0	**1018**	–29.2
Great Atl & Pac Tea	D–D	**992**	D–D	1.0	**1006**	0.2
Rath Packing	D–D	**992**	D–D	0.9	**1007**	30.2
Wilson Foods	D–D	**992**	P–D	4.5	**982**	4.2
Caesars World	Z–P		99.5	27.2	**92**	96.6
Arden Group	D–P		48.1	–3.9	**1015**	11.8
Bangor Punta	D–P		48.2	20.3	**206**	7.9
CNA Financial	D–P		–44.6	8.3	**886**	16.1
Columbia Pictures	D–P		–14.9	16.4	**382**	7.2
Cook United	D–P		–37.6	–1.5	**1012**	26.8
Eastern Air Lines	D–P		P–D	14.4	**504**	28.3
Foodarama Supermkts	D–P		13.1	6.1	**959**	4.2
GEICO	D–P		3.8	3.3	**995**	4.2
Hartfield-Zodys	D–P		–47.8	8.8	**862**	12.7
LTV	D–P		131.7	30.7	**65**	50.2
Mattel	D–P		P–D	16.6	**367**	28.4
Memorex	D–P		P–D	24.1	**121**	10.9
National Tea	D–P		3.8	–2.2	**1013**	20.2
Pan Am World Airways	D–P		144.1	14.2	**518**	37.5
Pueblo International	D–P		–28.3	–8.6	**1021**	27.8
Reliance Group	D–P		–32.7	10.0	**801**	14.0
Revere Copper	D–P		–24.9	9.2	**842**	–2.6
Rohr Industries	D–P		–5.6	2.1	**1003**	39.3
Shopwell	D–P		17.9	8.6	**870**	27.3
Singer	D–P		D–P	2.5	**1001**	9.7
Todd Shipyards	D–P		70.4	18.9	**254**	37.2
Valero Energy	D–P		210.3	20.5	**199**	61.9
L B Foster	**		83.6	**		41.8
Seatrain Lines	**		**	**		**
Swift Independent	**		**	8.4	**880**	12.0

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.2%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product*, which measures inflation in all sectors of the economy.

†Latest 12-months. P-D: profit to deficit. D-P: deficit to profit; not ranked. D-D: deficit to deficit. Z-P: zero to profit; not ranked. **Not available; not ranked.

The stock market's failure to stay abreast of the inflation rate is appalling in general. But this is one case where the median isn't the only message.

Who's where in the stock market

YOU'RE READING THIS, let's say, sometime between choruses of *Good King Wenceslas* and *Auld Lang Syne*. Dry needles gently dropping from the Christmas tree are building a fire hazard at the base, gift boxes are still making a mess someplace, but the bills from the department stores have not yet arrived. You are, in short, midway between your holiday high and your postholiday depression. A perfect state of mind in which to contemplate the tables on the following pages.

The failure of the stock market as a whole to keep abreast of inflation is worrisome. The five-year period through which we tracked the stock prices of the 1,000 companies ranked in these tables begins at the market close on Dec. 31, 1976 and ends with closing prices on Nov. 18, 1981. Through most of that time inflation as measured by the Consumer Price Index got increasingly severe—the CPI rose 60.6%. Two of every three companies ranked—666 out of 1,000—failed to keep pace. The median gain of all 1,000 was just 27%. Bad as that may be, it could have been worse. Over the same period the Dow Jones industrial average was *down* 16%, the S&P's 500 up just 12%. Even the Wilshire 5000, the broadest market measure of all, was up just 33%—better than most of the 1,000 companies we have tracked here but far behind the inflation rate.

The sense of unease deepens in light of the fact that the period measured was, all things considered, generally favorable to the stock market for such a comparison. True, the market in 1977 was peaking after its recovery from the 1974-75 recession, but it was to take off again in 1978 and stay strong for much of the next three years.

But it must be kept in mind that the median is not always the message—at least not the only message. Of the 334 stocks ranked that equaled or bettered the inflation rate, some did so spectacularly. Suppose at holiday time five years ago, the Spirit of Christmases to Come had visited you and said "Small Computers" or "Health Care"—but not "Plastics." And suppose you had had the sense to look for well-managed companies in those areas and decided to invest in Wang Laboratories (up 1,899%) or Humana (up 1,148%). If you had, it's possible your postholiday depression wouldn't come at all this year.

Who's where in the stock market

Rank 81	Rank 80	Company	5-year price change	1977-81 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
1	*	**First Executive**	**2,407.1%**	13 – ⅜	8⅞	10.5	**$ 93**	$1.06	8	none	0.0%
2	2	**Wang Laboratories**	**1,899.0**	45⅝– 1⅛	30⅝	59.6	**1,825**	1.45	21	$0.12	0.4
3	9	**Subaru of America**	**1,588.9**	40⅝– 1¾	38	6.1	**230**	4.09	9	0.52	1.4
4	28	**Storage Technology**	**1,226.6**	40⅜– 2½	36⅛	28.5	**1,037**	2.25	16	none	0.0
5	12	**Chic & North Western**	**1,225.0**	36⅜– 1⅝	19⅞	13.3	**265**	3.41	6	none	0.0
6	6	**Humana**	**1,148.3**	46⅜– 2½	35⅝	36.9	**1,315**	2.33	15	0.90	2.5
7	*	**Western Co No Amer**	**1,062.5**	32⅛– 1⅞	23¼	44.6	**1,038**	2.04	11	0.24	1.0
8	*	**M/A-Com**	**933.4**	35½– 2⅜	26⅛	38.2	**997**	1.05	25	0.12	0.5
9	5	**Natl Medical Entrprs**	**868.6**	28¾– 1⅞	18½	45.1	**834**	1.32	14	0.40	2.2
10	4	**Caesars World**	**814.0**	36⅛– ⅞	8⅛	26.5	**216**	1.33	6	none	0.0
11	*	**Federal Express**	**793.3‡‡**	72¼– 6	58⅝	19.7	**1,154**	3.27	18	none	0.0
12	16	**Waste Management**	**675.0**	41⅛– 4	34⅞	42.5	**1,484**	1.81	19	0.40	1.1
13	*	**Anixter Brothers**	**637.7**	20⅞– 1¾	13⅜	14.0	**188**	1.31	10	0.16	1.2
14	60	**Todd Shipyards**	**600.0**	34 – 4⅜	28⅞	5.1	**147**	5.06	6	1.00	3.5
15	59	**Warner Communications**	**597.8**	58½– 7¼	52½	61.3	**3,219**	3.15	17	0.68	1.3
16	102	**Piedmont Aviation**	**586.1**	32⅛– 3⅝	27⅞	6.5	**181**	4.26	7	0.24	0.9
17	47	**Tandy**	**557.5**	39⅛– 2⅜	34⅝	102.9	**3,564**	1.79	19	none	0.0
18	82	**Natl Convenience Strs**	**547.2**	14¾– 2¼	14⅝	7.5	**110**	1.45	10	0.60	4.1
19	89	**SCOA Industries**	**529.2**	32 – 4⅝	30⅞	9.9	**304**	2.94	11	0.96	3.1
20	171	**Bergen Brunswig**	**525.0**	34¼– 3⅜	30	5.7	**170**	2.09	14	0.48	1.6
21	10	**Texas Oil & Gas**	**518.4**	41¼– 5⅛	34½	95.2	**3,285**	2.01	17	0.24	0.7
22	54	**Zapata**	**511.9**	40 – 4⅛	32⅝	21.2	**692**	3.59	9	0.40	1.2
23	19	**General Instrument**	**502.7**	46¾– 5¾	40⅛	30.7	**1,232**	2.71	15	0.42	1.0
24	77	**E F Hutton Group**	**496.2**	47 – 4½	42⅛	17.1	**721**	4.37	10	0.80	1.9
25	26	**Whittaker**	**492.0**	50⅞– 4¼	37	15.2	**564**	4.28	9	1.60	4.3
26	31	**Gates Learjet**	**489.3**	29⅛– 3	19⅜	11.5	**223**	1.54	13	0.20	1.0
27	14	**Nucor**	**485.2**	82¼– 7¾	52¼	6.9	**363**	4.71	11	0.48	0.9
28	151	**Farm House Foods**	**474.6**	7⅛– ⅞	7⅛	7.1	**50**	0.53	13	none	0.0
29	51	**Metromedia**	**469.4**	161¼–24⅜	158	4.0	**627**	13.74	11	5.00	3.2
30	15	**Amer Medical Intl**	**465.8**	32¾– 3½	25⅜	32.0	**812**	1.60	16	0.52	2.0
31	213	**Sysco**	**463.4**	42¼– 6⅛	40⅜	9.7	**391**	2.96	14	0.48	1.2
32	53	**Columbia Pictures**	**456.5**	45⅜– 7⅜	43⅛	8.0	**344**	4.29	10	0.60	1.4
33	36	**G Heileman Brewing**	**453.0**	32⅝– 4⅝	26⅝	13.2	**352**	2.98	9	0.72	2.7
34	29	**Berkshire Hathaway**	**447.9**	525 –85	515	1.0	**508**	38.91	13	none	0.0
35	24	**Parsons**	**438.5**	54½– 6⅜	34½	12.4	**426**	2.76	13	1.00	2.9
36	152	**Wal-Mart Stores**	**435.5**	43⅞– 5⅞	41½	32.4	**1,343**	2.14	19	0.26	0.6
37	65	**Hospital Corp of Am**	**421.1**	50⅝– 5⅞	36⅛	51.8	**1,870**	2.10	17	0.34	0.9
38	1	**Resorts Intl**	**418.8**	70 – 2¼	18⅜	9.7	**179**	0.14	NM	none	0.0
39	*	**Toys "R" Us**	**417.7‡‡**	33¼– 3⅝	29⅝	20.6	**612**	1.47	20	none	0.0
40	38	**Handy & Harman**	**408.6**	34½– 4⅞	25¾	13.8	**355**	1.69	15	0.60	2.3
41	66	**Kelly Services**	**394.9**	50 – 9⅛	48½	4.4	**214**	3.99	12	1.10	2.3
42	137	**Thriftimart**	**384.9**	45 – 6½	32⅛	0.9	**29**	7.33	4	1.60	5.0
43	58	**EG&G**	**379.4**	48⅝– 7⅞	40¾	14.2	**577**	2.24	18	0.64	1.6
44	161	**Big V Supermarkets**	**379.1**	14 – 2⅜	12⅜	3.1	**39**	1.99	6	0.34	2.7
45	11	**Teledyne**	**370.9**	174¾–21¼	142	20.7	**2,933**	19.14	7	none	0.0
46	25	**Reliance Group**	**370.0**	100¼–18½	94	6.4	**600**	9.25	10	3.00	3.2
47	*	**Reading & Bates**	**369.6**	39⅞– 5	24	27.8	**667**	2.84	8	0.80	3.3
48	139	**Brown-Forman Dist**	**366.7**	34⅜– 6⅞	33¼	25.2	**837**	2.87	12	0.76	2.3
49	20	**Cincinnati Milacron**	**354.9**	46¾– 5	26¼	22.6	**594**	2.06	13	0.72	2.7
50	8	**Tosco**	**352.0**	45⅛– 3⅜	20⅝	21.9	**452**	–0.87	def	none	0.0
51	122	**Food Town Stores**	**350.0**	38¾– 4⅞	35¼	8.7	**305**	2.23	16	0.20	0.6
52	32	**Mission Insurance**	**346.8**	49¼– 7⅛	35½	7.9	**280**	5.69	6	1.00	2.8
53	27	**Murphy Oil**	**332.1**	64 – 7½	33⅛	37.0	**1,225**	4.57	7	0.75	2.3
54	150	**Tyson Foods**	**332.0**	17¾– 3	13½	3.9	**52**	0.55	25	0.16	1.2
55	41	**Cullum Companies**	**326.5**	34½– 5⅛	22	4.1	**90**	3.42	6	1.00	4.5
56	18	**Litton Industries**	**320.7**	90¼–10½	56⅛	40.2	**2,257**	7.60	7	1.40	2.5
57	75	**ConAgra**	**315.8**	23¼– 3⅞	17½	13.1	**229**	2.24	8	0.86	4.9
58	56	**Cameron Iron Works**	**315.4**	67 – 8½	45	30.4	**1,369**	3.75	12	0.40	0.9
59	270	**Dean Witter Reynolds**	**314.9**	51⅜– 8	49⅜	12.1	**599**	4.71	10	0.80	1.6
60	120	**Sigmor**	**313.3**	24 – 4	17¼	17.1	**295**	2.07	8	0.50	2.9
61	3	**Mitchell Energy & Dev**	**312.7**	45⅝– 3⅞	23	47.9	**1,102**	2.24	10	0.24	1.0
62	64	**Santa Fe Intl**	**308.8**	47⅛– 9⅛	46⅛	48.9	**2,256**	3.54	13	0.50	1.1
63	110	**Republic New York**	**304.7**	41½– 7⅞	36¼	10.9	**394**	5.16	7	1.20	3.3
64	155	**Lockheed**	**304.1**	48¼– 8⅞	37⅜	11.9	**446**	4.56	8	none	0.0

Note: Except as footnoted, price changes are measured from Dec. 31, 1976 to Nov. 18, 1981. For comparison, the five year change in the Consumer Price Index was 60.6%.
*Not ranked last year. ‡‡Three-year price change. def: deficit. NM: not meaningful.

Who's where in the stock market

Rank 81	Rank 80	Company	5-year price change	1977-81 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
65	119	**Baldwin-United**	296.3%	56 -13	54	10.2	$ 549	$6.54	8	$1.60	3.0%
66	*	**Servicemaster Inds**	295.9	29¾- 6½	26	14.7	383	1.14	23	0.84	3.2
67	79	**NL Industries**	287.9	48⅝- 7⅞	40	66.4	2,657	3.99	10	1.00	2.5
68	173	**Frontier Airlines**	284.2	28¾- 5⅛	21⅛	8.6	182	3.87	5	0.20	0.9
69	30	**Cabot**	283.1	36⅝- 6¼	27⅜	31.6	864	3.50	8	0.92	3.4
70	13	**Kay**	283.1	31¾- 3⅝	13⅝	3.6	48	-1.12	def	0.75	5.5
71	101	**Geosource**	282.8‡	66⅞- 9¾	44½	14.0	622	4.06	11	0.58	1.3
72	22	**Parker Drilling**	279.8	36¾- 4⅞	19⅝	28.9	566	2.75	7	0.16	0.8
73	*	**Std Comml Tobacco**	275.0	24 - 5	18	1.7	30	5.88	3	0.45	2.5
74	214	**Zayre**	273.8	31¼- 6	28½	5.5	156	4.54	6	0.40	1.4
75	*	**Worthington Inds**	266.0	24¾- 6¼	22½	12.4	278	2.00	11	0.60	2.7
76	129	**Alleghany**	265.1	49 -11⅞	47	9.4	441	5.82	8	1.08	2.3
77	17	**Fairchild Industries**	260.4	33⅞- 3⅜	13⅞	13.0	180	4.20	3	0.80	5.8
78	242	**Keystone Foods**	258.2	18¾- 3¾	15¼	3.1	48	1.51	10	0.20	1.3
79	46	**Bally Manufacturing**	256.3	48⅝- 7½	28½	25.8	735	2.91	10	0.10	0.4
80	52	**Morrison-Knudsen**	251.6	46½- 6⅞	24	9.7	233	3.62	7	1.10	4.6
81	141	**Browning-Ferris Inds**	250.8	37⅜- 7½	29⅜	19.1	561	2.30	13	0.84	2.9
82	132	**Perini**	249.2	33 - 7	28⅜	3.5	98	4.09	7	0.60	2.1
83	421	**Warnaco**	247.6	29¼- 5⅞	24	4.1	97	4.58	5	1.00	4.2
84	55	**Superior Oil**	245.5	50¼- 7¼	32¾	127.2	4,166	3.03	11	0.16	0.5
85	105	**SmithKline**	244.6	88⅜-15½	68⅜	66.7	4,561	5.31	13	2.32	3.4
86	78	**SEDCO**	244.5	49 - 8⅛	33⅞	32.5	1,102	3.28	10	0.44	1.3
87	63	**Dorchester Gas**	244.4	29⅜- 4¼	19⅜	18.0	348	1.72	11	0.16	0.8
88	21	**Empire**	242.8	49½- 4⅝	15¾	3.5	55	0.87	18	0.40	2.5
89	96	**Hilton Hotels**	239.9	52¼- 8½	38⅞	26.5	1,032	4.12	9	1.80	4.6
90	74	**Freeport-McMoran**	238.9	40½- 4½	24¾	69.2	1,713	2.61	9	0.60	2.4
91	130	**Blount**	238.5	21⅜- 3½	16½	5.6	93	1.52	11	0.48	2.9
92	50	**Belco Petroleum**	235.0	37⅞- 7⅝	27¼	23.8	649	4.36	6	0.60	2.2
93	644	**GEICO**	229.8	24½- 5	23½	21.8	511	3.15	7	0.48	2.0
94	159	**Bausch & Lomb**	227.9	70 -14⅛	47¾	11.9	568	3.18	15	1.56	3.3
95	172	**Baker International**	227.8	53½-10⅝	36⅞	66.9	2,468	3.36	11	0.60	1.6
96	103	**Wyman-Gordon**	226.3	27 - 7⅛	23¼	19.1	444	2.85	8	0.80	3.4
97	191	**James River Corp Va**	225.3	23⅜- 3⅞	16⅜	8.4	140	2.63	6	0.40	2.4
98	83	**Thiokol**	224.7	39 - 9⅝	31¼	11.5	358	2.94	11	1.10	3.5
99	116	**Pacific Resources**	221.7	16½- 3⅜	13¼	10.5	139	0.78	17	0.56	4.2
100	*	**Palm Beach**	217.9	29⅜- 7⅝	25¾	3.7	94	4.64	6	1.20	4.7
101	111	**Meredith**	217.8	66½-17¼	60⅜	3.2	192	8.38	7	1.60	2.7
102	251	**Seaboard Allied Milling**	216.9	34 - 8⅛	25¾	1.5	38	4.44	6	0.50	1.9
103	*	**Donaldson, Lufkin**	205.7	14 - 2½	13⅜	9.4	126	1.19	11	0.20	1.5
104	246	**Idle Wild Foods**	203.7	27 - 6⅞	20¼	1.8	36	4.43	5	0.80	4.0
105	107	**Dover**	203.3	32⅜- 8¾	28⅜	35.8	1,025	2.52	11	0.66	2.3
106	126	**Super Valu Stores**	201.0	19½- 5⅜	18¼	36.6	668	1.66	11	0.48	2.6
107	115	**Avnet**	199.6	60½-12½	48	17.0	818	3.78	13	1.00	2.1
108	35	**Natomas**	197.9	45¾- 7¾	24⅜	51.8	1,277	4.23	6	1.20	4.9
109	373	**Northwest Industries**	197.3	70½-21¾	68⅜	24.9	1,705	7.98	9	2.68	3.9
110	229	**McGraw-Hill**	197.0	56 -15⅜	50⅛	24.8	1,245	3.79	13	1.68	3.4
111	235	**Hughes Tool**	196.2	48⅝- 9⅝	38¾	54.9	2,128	4.09	9	0.68	1.8
112	*	**Penn Central**	195.8‡‡	48⅞-13⅞	44	21.3	938	5.50	8	none	0.0
113	174	**Republic Finl Svcs**	194.9	30 - 7⅝	28¾	7.0	202	3.37	9	1.20	4.2
114	45	**United Energy Resources**	192.4	56 -12⅞	40¾	27.8	1,134	7.56	5	1.92	4.7
115	23	**Foster Wheeler**	189.8	30½- 4⅞	15⅛	34.4	520	1.78	8	0.44	2.9
116	95	**Signal Companies**	189.5	36½- 8	24⅛	72.2	1,742	3.05	8	0.84	3.5
117	121	**Pioneer**	188.3	33⅛- 6⅛	26⅛	37.3	973	2.92	9	1.00	3.8
118	164	**Control Data**	187.4	42⅛- 9¼	37	37.1	1,374	4.08	9	0.50	1.4
119	696	**Univar**	187.4	34¾- 6¼	31¼	5.6	174	3.65	9	0.68	2.2
120	34	**Trinity Industries**	182.3	30¾- 4	15	15.5	233	2.99	5	0.50	3.3
121	352	**Dow Jones**	180.3	55¼-14⅝	47⅛	31.4	1,430	2.16	22	0.92	2.0
122	318	**General Cinema**	179.8	39⅜-10⅜	37¼	11.0	410	3.42	11	0.96	2.6
123	39	**Hanover Insurance**	178.7	36¾-11½	36	5.1	184	8.24	4	0.72	2.0
124	94	**Schlumberger**	175.8	87⅛-16⅝	52½	289.7	15,211	4.24	12	0.80	1.5
125	68	**Harris Corp**	174.6	60¼-14	40½	31.2	1,264	3.40	12	0.88	2.2
126	221	**Walgreen**	174.1	54¾-14⅞	49	7.4	361	5.82	8	2.00	4.1
127	205	**Ruddick**	173.7	15 - 4¾	13	2.3	30	2.17	6	0.56	4.3
128	178	**Marathon Oil**	173.2	90 -19⅞	77	58.7	4,519	6.05	13	2.00	2.6

Note: Except as footnoted, price changes are measured from Dec. 31, 1976 to Nov. 18, 1981. For comparison, the five year change in the Consumer Price Index was 60.6%.
*Not ranked last year. ‡Four-year price change. ‡‡Three-year price change. def: deficit.

Who's where in the stock market

Rank 81	Rank 80	Company	5-year price change	1977-81 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
129	273	**Raychem**	**171.1%**	88 – 18⅞	51½	9.0	**$ 463**	$4.33	12	$0.44	0.9%
130	278	**Fred Meyer**	**170.7**	52¼ – 16¼	52¼	7.4	**386**	3.73	14	0.80	1.5
131	281	**Central Steel & Wire**	**170.3**	300 – 111	300	0.3	**95**	71.68	4	20.00	6.7
132	112	**Petrolane**	**169.9**	26⅜ – 6⅛	17⅛	52.0	**890**	1.90	9	0.42	2.5
133	133	**Raytheon**	**166.9**	55⅝ – 13½	40⅝	84.1	**3,397**	3.74	11	1.20	3.0
134	86	**Dean Foods**	**166.8**	25¼ – 6⅞	20¼	6.1	**126**	2.72	8	0.60	2.9
135	277	**Electronic Data Syst**	**163.9**	29⅝ – 6⅞	23¾	28.0	**665**	1.46	16	0.60	2.5
136	81	**Charter**	**163.3**	50 – 3¼	9⅞	21.6	**213**	0.59	17	1.00	10.1
137	142	**Washington Post**	**163.0**	33 – 10¼	32⅞	14.1	**462**	2.11	16	0.50	1.5
138	258	**Capital Cities Commun**	**161.6**	80½ – 22⅛	73¼	13.0	**960**	5.94	12	0.20	0.3
139	366	**Mercantile Texas**	**159.8**	36⅛ – 12⅝	33⅛	17.3	**574**	3.49	9	1.00	3.0
140	265	**Nationwide**	**159.2**	24¼ – 9½	24⅝	10.3	**253**	3.03	8	0.70	2.8
141	476	**Arden Group**	**158.3**	5⅝ – 1½	3⅞	3.3	**13**	0.77	5	none	0.0
142	478	**American Intl Group**	**157.6**	66 – 20	65¼	57.2	**3,731**	5.77	11	0.40	0.6
143	244	**Supermarkets General**	**156.7**	22¼ – 6¼	19¼	8.2	**159**	3.10	6	0.60	3.1
144	257	**Turner Construction**	**156.5**	33⅝ – 11½	29½	2.1	**61**	4.23	7	1.60	5.4
145	566	**G D Searle**	**156.2**	35½ – 10⅝	33⅝	51.9	**1,744**	1.64	21	0.52	1.5
146	87	**Sun Chemical**	**155.8**	32 – 8⅞	23⅞	7.5	**179**	4.33	6	0.48	2.0
147	124	**Circle K**	**152.4**	17½ – 5⅛	13¼	9.9	**131**	1.73	8	0.74	5.6
148	*	**Barnett Banks Fla**	**151.6**	29⅝ – 9½	26	13.6	**353**	3.02	9	0.96	3.7
149	109	**Union Oil California**	**151.5**	36½ – 11½	37¼	173.6	**6,467**	4.22	9	1.00	2.7
150	182	**Ryder System**	**151.4**	40½ – 10⅞	30⅝	20.1	**615**	3.82	8	1.08	3.5
151	395	**Rite Aid**	**151.3**	36¼ – 10½	32¼	14.0	**460**	2.73	12	0.66	2.0
152	149	**Cities Service**	**150.8**	69⅛ – 15	49¼	83.3	**4,147**	4.01	12	1.60	3.2
153	245	**Earle M Jorgensen**	**150.0**	28¼ – 9¼	26¼	7.1	**186**	4.10	6	1.00	3.8
154	377	**Marriott**	**147.5**	47 – 8¾	33½	25.5	**854**	3.05	11	0.30	0.9
155	103	**Cooper Industries**	**147.2**	62 – 19¼	49¼	44.0	**2,189**	5.05	10	1.24	2.5
156	408	**H H Robertson**	**144.1**	31¼ – 10⅞	31⅛	4.7	**148**	6.02	5	1.30	4.2
157	146	**Carpenter Technology**	**143.9**	51⅝ – 17	43¾	8.6	**376**	5.47	8	2.10	4.8
158	790	**Purolator**	**143.2**	48⅞ – 13	46	6.5	**300**	4.00	12	1.04	2.3
159	179	**Loews**	**142.5**	107⅞ – 27⅛	87	12.9	**1,119**	19.56	4	1.20	1.4
160	62	**Bangor Punta**	**141.7**	29⅛ – 7½	18⅛	7.1	**128**	5.68	3	0.80	4.4
161	157	**Paine Webber**	**139.7**	27⅞ – 5¼	20⅝	9.5	**194**	1.06	19	0.44	2.2
162	416	**Deluxe Check Printers**	**139.4**	30⅝ – 11½	29⅝	23.0	**680**	2.33	13	1.00	3.4
163	216	**Flowers Industries**	**139.2**	18⅝ – 6⅞	16⅞	6.0	**101**	2.35	7	0.74	4.4
164	342	**Foremost-McKesson**	**138.7**	40⅝ – 15	37	15.2	**561**	4.49	8	2.24	6.1
165	106	**Parker Pen**	**136.5**	26 – 5½	14¾	17.1	**253**	1.49	10	0.52	3.5
166	272	**Commercial Metals**	**136.4**	26 – 4½	17⅜	4.4	**76**	2.53	7	0.44	2.5
167	67	**Sundstrand**	**135.8**	59½ – 15¾	42	18.2	**763**	5.05	8	1.80	4.3
168	201	**Arkla**	**134.2**	21 – 7⅛	17⅝	50.3	**883**	1.70	10	0.80	4.6
169	312	**Abbott Laboratories**	**134.1**	32¼ – 9¼	28¾	123.1	**3,538**	1.92	15	0.72	2.5
170	357	**Seagram**	**134.0**	65¼ – 19¼	55	30.1	**1,656**	9.16	6	1.80	3.3
171	576	**Marine Midland Banks**	**131.7**	25 – 10	23¼	19.1	**455**	3.88	6	1.25	5.3
172	48	**Boeing**	**131.3**	45⅞ – 8⅛	23	96.5	**2,218**	5.63	4	1.40	6.1
173	42	**Holly Corp**	**130.8**	19⅝ – 4⅝	11¼	8.5	**95**	0.67	17	none	0.0
174	526	**Texas Commerce Bshs**	**130.5**	45 – 15⅞	43½	29.9	**1,299**	4.35	10	1.10	2.5
175	88	**Fluor**	**129.4**	71 – 9⅞	29¼	77.8	**2,275**	2.55	11	0.80	2.7
176	165	**Burlington Northern**	**129.0**	77 – 17½	50⅝	42.4	**2,136**	6.83	7	1.52	3.0
177	166	**Smith International**	**128.8**	70¼ – 13¾	45¾	22.5	**1,031**	5.48	8	0.80	1.7
178	499	**Albertson's**	**128.1**	28¾ – 9¼	26⅜	14.9	**392**	3.03	9	0.88	3.3
179	80	**E-Systems**	**125.9**	55⅝ – 14⅜	49⅛	7.0	**344**	2.94	17	1.00	2.0
180	71	**NVF**	**125.7**	7½ – ⅞	2⅞	83.5	**240**	0.35	8	0.15	5.2
181	293	**Pay Less Drug NW**	**125.1**	18½ – 5⅝	15⅛	8.8	**133**	1.65	9	0.38	2.5
182	136	**U S Air**	**125.0**	26⅛ – 3⅝	11¼	17.1	**192**	3.84	3	0.12	1.1
183	315	**R H Macy**	**124.5**	66½ – 21⅛	52	16.4	**851**	7.40	7	1.75	3.4
184	91	**General Dynamics**	**124.4**	44⅞ – 7½	24⅛	54.4	**1,312**	2.61	9	0.72	3.0
185	500	**Holiday Inns**	**122.9**	33¼ – 11⅛	29¼	31.2	**914**	3.61	8	0.74	2.5
186	316	**Alco Standard**	**122.8**	21⅝ – 9⅛	20¾	18.9	**391**	2.88	7	1.08	5.2
187	360	**Reeves Brothers**	**120.9**	53½ – 20¼	47½	2.4	**112**	9.47	5	2.52	5.3
188	128	**Combustion Engnrng**	**120.9**	54¼ – 15¼	37	33.0	**1,221**	4.11	9	1.60	4.3
189	498	**Sonoco Products**	**120.4**	30 – 10⅞	25½	11.0	**281**	3.33	8	1.10	4.3
190	551	**Allied Van Lines**	**120.0**	8⅞ – 2	8¼	1.2	**10**	2.48	3	0.20	2.4
191	508	**Curtice-Burns**	**119.8**	25½ – 10¾	24½	1.6	**38**	3.88	6	1.20	4.9
192	167	**Pneumo**	**119.7**	36¼ – 10	23¼	4.7	**108**	3.70	6	0.80	3.4

Note: Except as footnoted, price changes are measured from Dec. 31, 1976 to Nov. 18, 1981. For comparison, the five year change in the Consumer Price Index was 60.6%.
*Not ranked last year.

Who's where in the stock market

Rank 81	Rank 80	Company	5-year price change	1977-81 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
193	114	**Standard Oil Ohio**	**118.2%**	91½–14½	41⅞	245.8	**$10,292**	$7.91	5	$2.40	5.7%
194	219	**Perkin-Elmer**	**117.9**	36⅜– 8⅜	22⅞	42.5	**972**	1.75	13	0.50	2.2
195	135	**Pennzoil**	**117.7**	62½–17½	48¼	51.1	**2,467**	4.65	10	2.20	4.6
196	286	**American General**	**116.7**	46½–17¼	43⅞	24.5	**1,077**	6.84	6	2.00	4.6
197	92	**Dynalectron**	**115.6**	17⅜– 2¼	8⅝	8.6	**74**	1.38	6	0.10	1.2
197	113	**Northrop**	**115.6**	63 –18⅜	51¾	14.9	**774**	3.24	16	1.80	3.5
199	44	**Transco Companies**	**114.8**	64¼–16⅝	41⅝	23.5	**978**	5.06	8	1.60	3.8
200	190	**Northwest Energy**	**114.6**	37⅛– 8½	23⅞	16.2	**386**	3.93	6	1.20	5.0
201	553	**Savannah Foods**	**114.2**	21 – 6⅜	19½	3.8	**75**	4.77	4	1.20	6.2
202	410	**Dun & Bradstreet**	**113.1**	70¼–25¼	65	28.1	**1,823**	4.13	16	2.36	3.6
203	304	**Arcata**	**112.9**	39 –13⅛	33	6.7	**219**	3.69	9	1.28	3.9
204	197	**Kemper**	**112.7**	37⅝–15	33½	13.1	**440**	6.38	5	1.60	4.8
205	*	**Nordstrom**	**112.5**	38 –11⅝	29¾	8.2	**245**	2.97	10	0.44	1.5
205	302	**Pioneer Hi-Bred Intl**	**112.5**	52½–15⅝	51	16.0	**814**	3.98	13	1.20	2.4
207	359	**Weis Markets**	**111.8**	38 –16½	36	9.1	**329**	4.03	9	1.00	2.8
208	343	**Crum & Forster**	**111.2**	38½–13⅛	32⅞	28.3	**932**	6.46	5	1.64	5.0
209	423	**Seaway Food Town**	**110.8**	10¼– 4½	9¾	2.2	**21**	2.37	4	0.60	6.2
210	117	**Shell Oil**	**109.2**	65½–14⅛	41¼	309.0	**12,744**	5.34	8	1.80	4.4
211	145	**PennCorp Financial**	**108.7**	12¼– 2¼	6	19.0	**114**	0.34	18	0.16	2.7
211	347	**Times Mirror**	**108.7**	58½–20	48	34.1	**1,639**	4.18	11	2.00	4.2
211	211	**Vornado**	**108.7**	29¾– 4⅝	12	5.3	**64**	–3.11	def	none	0.0
214	162	**Norton**	**106.5**	62 –16	39¾	16.5	**655**	4.80	8	2.00	5.0
215	317	**Marsh Supermarkets**	**105.6**	12 – 3¼	9¼	3.3	**30**	1.86	5	0.40	4.3
216	97	**Gelco**	**105.0**	37 – 9¼	22⅜	11.8	**263**	4.67	5	1.12	5.0
217	57	**RLC**	**104.1**	18 – 4¼	9¾	11.8	**115**	1.20	8	0.64	6.6
218	338	**Varian Associates**	**103.3**	35¼–11¾	30½	7.9	**242**	–0.45	def	0.52	1.7
219	158	**Missouri Pacific**	**103.1**	115 –39⅝	83	15.6	**1,291**	12.46	7	3.80	4.6
220	266	**New York Times**	**101.5**	38 –15½	33	12.4	**409**	3.83	9	1.10	3.3
221	479	**Time Inc**	**101.4**	41¼–15¾	37¼	48.3	**1,801**	2.26	16	1.00	2.7
222	206	**Standard Oil Calif**	**101.2**	58¾–17⅛	41¼	342.1	**14,112**	7.09	6	2.40	5.8
223	334	**Kroger**	**101.0**	27⅞–11⅝	24	27.9	**669**	3.70	6	1.72	7.2
224	247	**So Natural Resources**	**100.9**	37¼–12⅜	27⅜	41.0	**1,121**	3.84	7	1.10	4.0
225	709	**M Lowenstein**	**100.0**	40½– 7½	29½	3.3	**98**	4.74	6	1.20	4.1
226	147	**Levi Strauss**	**99.1**	50¾–12⅛	27⅛	41.2	**1,119**	4.53	6	1.65	6.1
227	555	**A C Nielsen**	**98.9**	48 –18⅞	45¼	11.2	**508**	3.21	14	1.04	2.3
228	76	**Lear Siegler**	**98.2**	42⅞–13	28	16.3	**456**	4.79	6	1.40	5.0
229	*	**Allied Maintenance**	**98.0**	24¾– 9⅞	24½	3.0	**73**	2.79	9	1.00	4.1
230	238	**Beckman Instruments**	**96.4**	43⅛–11⅛	27½	20.5	**563**	1.76	16	0.40	1.5
231	144	**Martin Marietta**	**95.9**	51¼–14¾	33⅝	37.5	**1,261**	5.47	6	1.92	5.7
232	285	**Athlone Industries**	**94.6**	30 –12⅛	27¼	2.5	**69**	5.10	5	1.50	5.5
233	321	**First Interstate**	**94.6**	44⅞–17⅝	39¼	38.4	**1,508**	5.91	7	2.04	5.2
234	148	**Union Pacific**	**94.2**	96¼–20½	49¾	96.3	**4,790**	4.05	12	1.80	3.6
235	274	**Maryland Cup**	**94.1**	43¾–15⅝	36⅛	6.8	**244**	4.52	8	0.76	2.1
236	558	**Republic of Texas**	**94.0**	37⅝–14⅝	35⅞	23.0	**826**	4.79	7	1.48	4.1
237	100	**Centex**	**93.9**	48 –10½	24	13.2	**317**	2.60	9	0.25	1.0
238	384	**First City Bancorp**	**93.9**	41¼–14½	36	29.0	**1,043**	4.12	9	1.06	2.9
239	254	**Ametek**	**93.9**	35⅜–13½	27⅞	10.9	**303**	2.39	12	1.20	4.3
240	456	**Brown Group**	**93.4**	31 –12⅞	29½	10.9	**321**	4.77	6	1.76	6.0
241	260	**Vulcan Materials**	**93.4**	56 –21¼	51¼	11.5	**588**	7.08	7	2.20	4.3
242	707	**National Tea**	**93.3**	7½– 3⅜	7¼	10.0	**73**	0.83	9	none	0.0
243	559	**Gordon Jewelry**	**93.3**	21 – 7⅝	15⅝	8.4	**131**	3.15	5	0.56	3.6
244	452	**Auto Data Processing**	**93.2**	31¾–10⅞	28⅝	33.7	**963**	1.55	18	0.44	1.5
245	70	**U S Home**	**92.5**	33 – 5⅛	13⅛	14.6	**192**	1.96	7	0.36	2.7
246	214	**Peoples Drug Stores**	**91.6**	19⅞– 7	17	4.0	**68**	2.39	7	0.32	1.9
247	465	**Manhattan Industries**	**91.2**	14⅞– 4⅜	12⅜	3.0	**37**	2.29	5	0.30	2.4
248	210	**Gifford-Hill**	**90.7**	26⅞– 8⅞	18¾	7.4	**139**	3.37	6	0.92	4.9
249	341	**Zurn Industries**	**90.6**	35⅜–12½	27⅞	5.7	**158**	3.49	8	1.20	4.3
250	156	**Shopwell**	**90.5**	7 – 2⅜	5	1.2	**6**	0.77	6	0.10	2.0
251	294	**Waldbaum**	**90.0**	19¾– 7⅛	14¾	2.6	**38**	3.98	4	none	0.0
252	163	**American Standard**	**89.5**	43¾–12⅞	27	27.2	**733**	4.98	5	2.20	8.1
253	548	**United States Shoe**	**89.3**	36⅝–10⅞	32½	10.6	**344**	5.07	6	1.25	3.8
254	414	**Fort Howard Paper**	**89.0**	36½–13⅝	34½	26.9	**929**	2.97	12	1.08	3.1
255	446	**Irving Bank**	**88.4**	58 –27	53	8.7	**461**	10.87	5	3.04	5.7
256	351	**Aetna Life & Casualty**	**88.4**	45¼–18⅞	44¾	80.4	**3,598**	5.95	8	2.32	5.2

Note: Except as footnoted, price changes are measured from Dec. 31, 1976 to Nov. 18, 1981. For comparison, the five year change in the Consumer Price Index was 60.6%.

*Not ranked last year. def: deficit

Who's where in the stock market

Rank		Company	5-year price change	1977-81 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
81	80										
257	185	**Acme-Cleveland**	**88.2%**	35⅝– 9½	17⅞	4.3	**$ 78**	$2.41	7	$1.40	7.8%
258	490	**Esmark**	**87.9**	57⅝–18⅝	53¾	12.4	**669**	5.67	9	1.84	3.4
259	733	**VF**	**87.9**	43½–16½	40⅝	8.1	**328**	6.09	7	2.40	5.9
260	300	**Heck's**	**87.5**	13⅞– 5⅜	11¼	9.7	**110**	1.55	7	0.24	2.1
261	394	**Old Republic Intl**	**87.2**	24⅜– 9½	20	9.4	**189**	4.13	5	0.92	4.6
262	651	**American Greetings**	**87.2**	18⅝– 9	18¼	13.7	**250**	2.05	9	0.56	3.1
263	570	**Chase Manhattan**	**86.9**	59⅞–27⅜	57¼	32.7	**1,870**	9.88	6	3.10	5.4
264	466	**Bankers Trust N Y**	**86.7**	37⅞–16½	35⅛	26.6	**935**	7.03	5	1.85	5.3
265	582	**Springs Mills**	**86.7**	26¾–12	24½	8.8	**215**	1.99	12	1.36	5.6
266	204	**Business Men's Assur**	**86.3**	36⅛–14⅝	28⅞	6.0	**172**	5.10	6	1.60	5.5
267	187	**Alcan Aluminium**	**86.2**	40 –10⅝	22	81.6	**1,795**	4.46	5	1.80	8.2
268	131	**Computer Sciences**	**85.7**	29¼– 6¼	13	13.3	**173**	1.37	9	none	0.0
269	199	**Rockwell Intl**	**85.4**	45⅜–13⅞	28½	75.9	**2,163**	3.84	7	1.56	5.5
270	196	**ENSERCH**	**85.0**	40 –11⅛	24¼	52.9	**1,284**	3.47	7	1.36	5.6
271	484	**Ohio Casualty**	**84.0**	47½–20⅛	46	11.7	**538**	6.55	7	2.04	4.4
271	276	**Rohr Industries**	**84.0**	20 – 5⅜	11½	5.2	**60**	1.87	6	none	0.0
273	422	**Hewlett-Packard**	**83.4**	53⅞–15½	40	122.0	**4,880**	2.55	16	0.24	0.6
274	618	**Ball Corp**	**82.8**	34⅞–16½	34½	5.3	**184**	4.93	7	1.80	5.2
275	457	**BanCal Tri-State**	**82.1**	43 –15⅛	28	4.7	**131**	2.35	12	1.20	4.3
276	309	**Big Three Industries**	**81.1**	38 –13⅜	28¾	42.4	**1,220**	2.43	12	0.60	2.1
277	409	**AMP**	**81.0**	62½–24	51⅛	36.0	**1,841**	3.31	15	1.20	2.3
278	928	**Anheuser-Busch Cos**	**80.9**	44⅛–17½	41⅜	45.5	**1,882**	4.60	9	1.28	3.1
279	319	**Dennison Mfg**	**80.7**	25 –11½	21⅛	9.1	**193**	2.92	7	1.30	6.2
280	140	**Johnson Controls**	**80.1**	34½–13¼	23¾	13.1	**311**	3.43	7	1.40	5.9
281	381	**National Svc Inds**	**80.0**	28⅜–12¼	27	12.7	**344**	3.93	7	1.32	4.9
282	224	**Ogden**	**79.5**	39⅞–14¼	26⅝	13.0	**345**	4.81	6	1.80	6.8
282	390	**Stone Container**	**79.5**	28¼– 7	18¼	7.8	**142**	3.07	6	0.64	3.5
284	717	**Copperweld**	**79.2**	47½–15¾	41	5.7	**235**	6.20	7	1.60	3.9
285	459	**Cannon Mills**	**79.1**	35¼–12⅞	26¼	9.4	**246**	3.46	8	1.20	4.6
286	660	**Hartfield-Zodys**	**78.4**	13 – 3⅝	7½	3.7	**28**	0.81	9	0.40	5.3
287	221	**Southwest Forest Inds**	**77.9**	28⅞– 7¾	17⅛	8.5	**146**	1.58	11	0.60	3.5
288	192	**Interpublic Group**	**77.8**	37½–15⅞	30¾	4.6	**142**	3.51	9	1.60	5.2
289	515	**Host International**	**77.4**	27 – 9⅜	20⅝	4.9	**100**	1.15	18	0.60	2.9
290	445	**Valley National**	**77.4**	30¾–10½	25⅛	16.9	**423**	3.62	7	1.16	4.6
291	286	**Consolidated Papers**	**77.2**	39 –14⅜	27¼	10.8	**295**	5.12	5	2.00	7.3
292	670	**Armstrong Rubber**	**77.1**	39⅞–14⅜	36¾	1.7	**63**	8.41	4	1.40	3.8
293	287	**Gulf United**	**76.7**	27¼–10¾	19⅞	27.7	**550**	2.94	7	1.32	6.6
294	344	**Stanadyne**	**76.5**	46¼–19¼	43¼	4.8	**207**	4.82	9	1.72	4.0
295	61	**Amerada Hess**	**76.4**	54¾–10⅞	26	81.3	**2,114**	3.22	8	1.10	4.2
296	240	**CNA Financial**	**75.8**	19⅝– 6¼	13⅝	48.7	**664**	2.04	7	none	0.0
297	622	**General Re**	**74.5**	84½–33⅜	83¾	21.8	**1,826**	7.81	11	1.76	2.1
298	611	**First Intl Bshs**	**74.4**	32⅜–14⅝	30¼	45.3	**1,369**	3.40	9	1.10	3.6
299	383	**Security Pacific**	**73.0**	43½–21⅞	38⅜	27.7	**1,064**	7.05	5	2.20	5.7
300	197	**City Investing**	**71.7**	30⅝–11⅜	22¼	33.1	**753**	3.42	7	1.60	7.0
301	539	**Hannaford Bros**	**71.4**	24¾–10½	21	1.3	**28**	4.74	4	1.20	5.7
301	311	**Norris Industries**	**71.4**	42 –18¼	42	9.8	**410**	3.71	11	1.47	3.5
303	436	**American Petrofina**	**70.6**	71⅞–22⅝	58	10.8	**626**	7.10	8	3.20	5.5
304	455	**Harvey Hubbell**	**70.0**	24¾–11½	22	11.2	**246**	2.69	8	1.08	4.9
304	525	**Philip Morris**	**70.0**	55⅛–25⅞	52½	125.0	**6,560**	5.39	10	2.00	3.8
306	426	**American Brands**	**70.0**	46 –19¾	38⅞	54.5	**2,120**	6.34	6	3.25	8.4
307	534	**Southeast Banking**	**69.7**	23½– 9½	18⅞	15.9	**300**	3.24	6	1.00	5.3
308	331	**Newmont Mining**	**69.6**	79¼–15½	47½	25.9	**1,229**	4.03	12	1.60	3.4
309	267	**Tyler**	**69.2**	29⅜– 9¾	19¼	9.2	**177**	3.24	6	0.55	2.9
310	170	**Standard Oil Indiana**	**69.0**	99½–21⅞	50⅜	291.6	**14,691**	6.65	8	2.60	5.2
311	423	**Knight-Ridder News**	**68.1**	41¾–15¼	32¼	32.1	**1,034**	3.09	10	0.92	2.9
312	233	**Wheelabrator-Frye**	**67.3**	65⅞–24	42⅞	17.1	**732**	4.70	9	1.60	3.7
313	329	**Cyclops**	**67.3**	39 –12½	26⅝	3.3	**89**	7.67	3	1.45	5.4
314	537	**Hart Schaffner & Marx**	**66.3**	24⅛– 9¾	21	8.6	**180**	2.95	7	1.12	5.3
315	228	**Entex**	**66.3**	19⅛– 7¼	13¼	21.1	**280**	2.17	6	1.00	7.5
316	385	**Morton-Norwich**	**66.3**	38⅝–18⅜	34½	13.6	**468**	4.12	8	1.52	4.4
317	505	**King Kullen Grocery**	**65.7**	17¾– 8½	14½	0.7	**10**	2.84	5	0.50	3.4
318	701	**Hershey Foods**	**65.4**	41 –16⅝	37	14.2	**524**	5.54	7	1.90	5.1
319	231	**Macmillan**	**65.3**	21⅜– 7¾	14⅞	12.3	**182**	0.60	25	0.50	3.4
320	412	**Norfolk & Western Ry**	**65.2**	55¼–20¾	52¼	32.5	**1,700**	8.63	6	2.60	5.0

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*Not ranked last year.

Who's where in the stock market

Rank 81	Rank 80	Company	5-year price change	1977-81 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
321	402	**Digital Equipment**	64.3%	113¼–36⅝	88½	54.3	**$4,810**	$7.13	12	none	0.0%
322	*	**Industrial National**	63.9	27 –15	26⅝	6.1	**161**	5.29	5	$2.00	7.5
323	509	**R R Donnelley & Sons**	63.5	43 –21	39¼	18.8	**739**	3.93	10	1.28	3.3
324	638	**Campbell Taggart**	63.3	25¼–13¼	22½	15.0	**338**	2.42	9	0.92	4.1
325	177	**Sun Company**	63.2	59⅝–17⅝	39⅜	120.1	**4,730**	5.37	7	2.10	5.3
326	378	**Borg-Warner**	63.1	26⅞–12⅝	24⅞	41.9	**1,042**	3.65	7	1.40	5.6
327	724	**Baxter Travenol Labs**	63.0	33¾–14⅛	33	70.4	**2,323**	2.00	17	0.38	1.2
328	353	**Transamerica**	62.6	26¼–12⅞	23⅜	64.8	**1,514**	3.48	7	1.40	6.0
329	189	**Kaneb Services**	62.2	40⅛–12¼	22½	23.6	**530**	2.25	10	1.00	4.4
330	396	**Alexander & Baldwin**	62.1	40¾–14¼	23½	9.2	**216**	3.88	6	1.80	7.7
331	439	**Dibrell Brothers**	61.2	21½–10½	19¾	1.3	**26**	4.23	5	1.12	5.7
332	444	**First Boston**	61.1	39¼–11	38¼	4.5	**173**	4.79	8	2.50	6.5
333	226	**Federal-Mogul**	60.8	26⅝–10½	19½	12.6	**247**	2.90	7	1.32	6.8
334	290	**Colt Industries**	60.7	89 –27⅜	58⅜	13.6	**795**	8.55	7	3.60	6.2
335	398	**El Paso**	60.5	30½–13⅜	23⅞	51.8	**1,236**	2.53	9	1.48	6.2
336	184	**Intel**	60.5	50¼–10	25¼	43.3	**1,094**	1.03	25	none	0.0
337	501	**Combined Internatl**	60.0	24⅜–13⅝	23	27.1	**624**	3.85	6	1.80	7.8
337	522	**Pfizer**	60.0	54⅞–23⅝	47	73.9	**3,473**	2.83	17	1.60	3.4
339	609	**Phillips-Van Heusen**	59.5	18 – 8⅜	16¾	2.8	**47**	2.72	6	0.60	3.6
340	872	**Gino's**	59.5	18¼– 6¼	15¾	2.7	**42**	0.55	29	0.44	2.8
340	239	**Santa Fe Industries**	59.5	36⅜– 9¼	21	88.7	**1,862**	3.30	6	1.00	4.8
342	241	**Foxboro**	59.1	62 –27⅛	52½	8.3	**436**	3.98	13	1.40	2.7
343	404	**Amfac**	59.0	35⅞–13⅞	24¼	13.8	**336**	4.22	6	1.44	5.9
344	325	**Kidde**	58.8	50⅛–22⅞	45¼	9.7	**437**	9.45	5	2.20	4.9
345	369	**National Can**	58.6	26⅜–12¼	22	9.1	**200**	3.41	6	1.00	4.5
346	160	**Morse Shoe**	58.4	29 – 7¼	15	5.2	**78**	2.26	7	0.80	5.3
347	612	**Interstate Bakeries**	58.3	14¼– 4½	11⅞	4.5	**54**	–5.29	def	none	0.0
348	217	**Halliburton**	57.8	87 –27⅜	51⅜	117.8	**6,054**	5.34	10	1.60	3.1
349	687	**Stokely-Van Camp**	57.7	37⅜–17¾	32⅛	3.1	**101**	3.46	9	1.48	4.6
350	677	**H J Heinz**	57.6	29¾–14	26½	46.7	**1,237**	3.82	7	1.44	5.4
351	511	**Western Union**	57.5	34¼–14⅛	31½	15.7	**496**	2.77	11	1.40	4.4
352	495	**Flickinger**	57.0	21½– 9¾	19⅜	2.9	**57**	3.18	6	0.88	4.5
353	308	**Figgie International**	56.3	23 – 7¾	15⅝	6.0	**94**	3.40	5	0.68	4.4
354	544	**Nalco Chemical**	56.2	58⅛–24⅜	53½	20.1	**1,074**	3.97	13	2.00	3.7
355	653	**Wheeling-Pitts Steel**	56.1	40⅛– 8	28⅞	4.0	**114**	4.15	7	none	0.0
356	663	**Bristol-Myers**	55.8	58¾–28	53¼	66.1	**3,518**	4.44	12	1.84	3.5
357	365	**Dan River**	55.3	23 – 8¼	14¾	5.7	**84**	2.51	6	1.12	7.6
358	253	**Honeywell**	55.2	115¼–42⅝	75¼	22.7	**1,707**	12.66	6	3.40	4.5
359	350	**Federal Co**	55.1	27⅜–12	19	8.2	**156**	1.99	10	1.30	6.8
360	513	**Knudsen**	54.8	17⅜– 6¼	15¼	2.7	**41**	2.76	6	0.76	5.0
361	143	**Evans Products**	54.7	26½–11⅜	20½	12.3	**253**	1.25	16	1.60	7.8
362	212	**Mobil**	54.6	44⅞–14⅝	25⅛	425.4	**10,687**	5.65	4	2.00	8.0
363	327	**Stanley Works**	54.6	23 – 8⅞	16¾	26.3	**441**	1.96	9	0.76	4.5
364	186	**ASARCO**	54.5	58½–13	25⅞	26.0	**674**	1.86	14	1.40	5.4
365	153	**Mattel**	54.4	16¼– 5	8⅞	16.5	**146**	–0.29	def	0.30	3.4
366	443	**Fleming Companies**	54.2	32¼–15	25¼	6.4	**162**	3.53	7	1.24	4.9
367	591	**Consolidated Edison**	54.2	33⅝–19⅝	32⅜	63.3	**2,050**	6.08	5	2.96	9.1
368	519	**General Host**	54.1	25 – 8⅛	18⅞	2.4	**45**	–5.63	def	0.90	4.8
368	783	**Saga**	54.1	23¾– 6⅞	18⅞	5.0	**94**	2.58	7	0.44	2.3
370	460	**Archer Daniels Midland**	54.1	27½– 7	17	71.9	**1,223**	2.66	6	0.14	0.8
371	230	**Dresser Industries**	53.6	57 –17½	32¼	78.5	**2,532**	3.95	8	0.68	2.1
372	437	**Alexander & Alexander**	53.4	38 –16¾	29¼	19.1	**557**	2.80	10	1.84	6.3
373	220	**Ashland Oil**	53.3	45¾–18	35¼	26.6	**936**	2.22	16	2.40	6.8
374	162	**Revere Copper**	53.3	25⅜– 9¾	14¾	5.7	**84**	3.01	5	0.40	2.7
375	485	**Provident Life & Acc**	52.9	53 –32	52	9.8	**512**	7.66	7	2.20	4.2
376	200	**Universal Leaf**	52.9	34⅞–13½	23½	8.8	**207**	3.61	7	1.52	6.5
377	232	**Atlantic Richfield**	52.8	74⅜–21⅝	44⅛	238.5	**10,525**	6.40	7	2.20	5.0
378	43	**Crown Central Petroleum**	52.8	46½– 7⅛	15⅛	5.9	**89**	–1.55	def	0.80	5.3
379	855	**Dillon Companies**	52.7	25¾–12¼	24½	18.5	**448**	2.45	10	1.20	4.9
380	531	**INA**	52.4	50¾–22¾	48	39.8	**1,911**	14.74	3	2.40	5.0
381	208	**Service Merchandise**	52.2	23½– 7⅜	13	12.7	**165**	1.75	7	0.14	1.1
382	262	**PACCAR**	52.1	87¼–41½	71½	8.2	**590**	9.63	7	3.00	4.2
383	345	**CBI Industries**	51.8	70⅞–21	41⅜	17.7	**733**	4.31	10	1.65	4.0
384	249	**Tektronix**	51.8	70¼–28¼	52	18.6	**969**	4.45	12	1.00	1.9

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def: deficit. *Not ranked last year.

Who's where in the stock market

Rank		Company	5-year price change	1977-81 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
81	80										
385	538	**Southern Railway**	**51.6%**	98½–44½	94	15.4	**$1,452**	$13.04	7	$4.24	4.5%
386	320	**Pitney Bowes**	**51.6**	40⅜–15⅛	23⅞	16.2	**387**	3.70	6	1.60	6.7
387	236	**Insilco**	**51.0**	23⅝– 9¼	16⅝	14.3	**237**	2.28	7	1.00	6.0
388	797	**Chesebrough-Pond's**	**51.0**	39⅞–19⅛	37¾	32.6	**1,230**	3.48	11	1.52	4.0
389	195	**Golden West Finl**	**51.0**	15¾– 5	9⅜	20.5	**192**	0.32	29	0.04	0.4
390	628	**Consol Freightways**	**49.5**	45 –18	39⅝	13.3	**529**	9.32	4	1.52	3.8
391	418	**U S Bancorp**	**49.5**	34⅛–18½	30⅜	14.4	**436**	4.47	7	1.20	4.0
392	621	**First Natl Boston**	**48.7**	47⅞–23½	44¼	12.7	**561**	8.65	5	2.88	6.5
393	382	**TRW**	**48.6**	65½–27½	54⅝	32.8	**1,794**	7.57	7	2.40	4.4
394	314	**Allen Group**	**48.2**	22 –10¼	16	4.5	**73**	2.04	8	1.00	6.3
395	193	**Washington National**	**48.1**	39⅝–11	19	10.4	**197**	3.30	6	1.08	5.7
396	403	**Harsco**	**47.8**	21⅝–11¼	18¼	19.3	**363**	2.90	6	1.20	6.4
397	764	**Genesco**	**47.7**	11⅛– 2¾	8⅛	12.7	**103**	0.77	11	none	0.0
398	393	**McDermott**	**47.7**	46⅝–15⅞	34¼	36.7	**1,257**	3.84	9	1.60	4.7
399	368	**Suburban Propane Gas**	**47.7**	42⅝–16½	32⅛	4.7	**152**	5.27	6	1.60	5.0
400	554	**Gannett**	**47.2**	46 –21½	39⅝	53.0	**2,099**	3.05	13	1.72	4.3
401	705	**Washington Gas Light**	**47.1**	43⅜–18⅛	32	5.4	**174**	3.38	9	2.64	8.3
402	169	**Dexter**	**46.9**	35 –14⅞	24	9.2	**222**	2.72	9	1.10	4.6
403	853	**Dillard Dept Stores**	**46.9**	24⅞–12	23½	3.0	**69**	4.59	5	0.40	1.7
404	471	**Giant Food**	**46.9**	22 –11	17½	4.9	**86**	2.29	8	1.20	6.9
405	711	**St Paul Companies**	**46.5**	52¼–27½	52¼	20.9	**1,105**	6.46	8	2.32	4.4
406	284	**Godfrey**	**46.4**	17 – 7¼	11	1.6	**17**	1.88	6	0.72	6.5
407	492	**Amdahl**	**45.8**	71½–11⅛	28¼	17.1	**483**	1.36	21	0.40	1.4
408	330	**W R Grace**	**45.3**	63½–23⅝	42½	47.4	**2,013**	7.31	6	2.60	6.1
409	588	**R J Reynolds Inds**	**45.3**	53 –26⅛	49⅛	104.3	**5,122**	6.65	7	2.80	5.7
410	892	**Stop & Shop**	**45.2**	24¾–12½	22½	4.0	**91**	3.79	6	1.32	5.9
411	250	**Barnes Group**	**45.0**	25⅞–10⅞	18¼	7.1	**129**	2.21	8	1.00	5.5
412	*	**Ampco-Pittsburgh**	**44.9**	26¾– 7½	14⅛	3.8	**54**	3.62	4	0.60	4.2
413	227	**Dorsey**	**44.7**	31 –10⅛	17	4.1	**70**	2.50	7	1.00	5.9
414	289	**Longview Fibre**	**44.1**	40½–17	24½	11.4	**280**	0.42	58	1.20	4.9
415	123	**Milton Bradley**	**44.1**	50½–10¼	21¼	7.4	**157**	2.41	9	1.20	5.6
416	203	**Panhandle Eastern**	**43.5**	52¼–18⅛	34¼	40.2	**1,376**	6.40	5	2.00	5.8
417	685	**Cluett, Peabody**	**43.2**	15¾– 7¼	13¼	8.9	**118**	2.17	6	0.76	5.7
418	625	**Masco**	**43.1**	42¼–15⅝	37¾	25.1	**949**	3.35	11	0.76	2.0
419	263	**Texas Gas Transmn**	**43.1**	48½–17½	34¼	20.3	**695**	5.66	6	1.92	5.6
420	581	**Connecticut General**	**42.0**	58¼–29¼	55¼	41.3	**2,283**	8.20	7	1.76	3.2
421	706	**Pacific Lighting**	**41.9**	29½–17	27½	25.9	**712**	5.31	5	2.76	10.0
422	602	**Farmers Group**	**41.2**	36½–18¾	32⅛	34.0	**1,091**	3.40	9	1.12	3.5
423	405	**Melville**	**41.1**	48 –19⅞	37¾	25.9	**977**	4.72	8	1.80	4.8
424	572	**CPC International**	**41.1**	37⅝–21⅛	33½	47.8	**1,600**	4.29	8	1.92	5.7
425	464	**Rainier Bancorp**	**41.0**	31⅛–18⅜	27½	9.4	**259**	4.46	6	1.36	4.9
426	463	**Rollins**	**40.9**	22½– 7½	17	27.5	**467**	1.69	10	0.56	3.3
427	608	**Masonite**	**40.8**	40 –14⅞	34½	13.6	**470**	2.01	17	1.32	3.8
428	271	**Trans World**	**40.7**	30⅝– 7¾	16	18.6	**298**	1.93	8	none	0.0
429	73	**Avco**	**40.6**	35 –12¼	18⅝	21.0	**390**	4.44	4	1.20	6.4
430	367	**A E Staley Mfg**	**40.5**	42½–11	20¼	21.9	**443**	4.75	4	0.80	4.0
431	*	**UGI**	**40.4**	36¼–16½	26½	5.7	**152**	4.31	6	1.88	7.1
432	569	**Jewel Companies**	**40.3**	45¼–17½	33½	11.7	**392**	6.76	5	2.24	6.7
433	718	**Central Tel & Utils**	**40.3**	35¾–21¼	35¼	26.5	**935**	3.77	9	2.10	6.0
434	438	**IC Industries**	**40.2**	41⅛–17⅛	31⅜	17.1	**535**	6.20	5	2.20	7.0
435	634	**Kimberly-Clark**	**40.1**	73¼–36⅞	61⅝	22.9	**1,409**	8.83	7	3.60	5.8
436	610	**Niagara Frontier Services**	**40.0**	33 –12¾	19¼	2.1	**40**	3.76	5	1.04	5.4
437	472	**Peavey**	**39.9**	33¾–13⅛	23¼	5.6	**131**	4.16	6	1.20	5.2
438	752	**Mallinckrodt**	**39.8**	39¾–16⅞	37¾	14.2	**536**	2.76	14	1.00	2.6
439	519	**Dayton-Hudson**	**39.2**	31⅜–14¾	26⅝	47.9	**1,276**	3.31	8	1.10	4.1
440	716	**Becton, Dickinson**	**38.9**	54½–25½	46⅞	20.3	**952**	3.61	13	1.10	2.3
440	407	**Rose's Stores**	**38.9**	20 – 9½	18¾	2.1	**40**	3.86	5	0.80	4.3
442	656	**Kaiser Steel**	**38.8**	50¼–17⅝	44¾	7.1	**320**	9.23	5	none	0.0
443	371	**Grumman**	**38.5**	39¾–14¾	24¾	10.2	**252**	2.06	12	1.40	5.7
444	291	**Merrill Lynch**	**38.1**	44¼–13¼	34⅞	38.3	**1,335**	5.14	7	1.28	3.7
445	781	**PepsiCo**	**37.5**	38 –20	36½	91.6	**3,343**	3.52	10	1.46	4.0
446	340	**Federal Paper Board**	**36.9**	39¼–12½	25½	5.9	**149**	3.95	6	1.10	4.3
447	399	**Alexander's**	**36.8**	18⅜– 5⅛	9¾	4.5	**44**	–2.12	def	none	0.0
448	595	**Seafirst**	**36.8**	33½–21⅛	31	15.6	**482**	4.88	6	1.44	4.6

Note: Except as footnoted, price changes are measured from Dec. 31, 1976 to Nov. 18, 1981. For comparison, the five year change in the Consumer Price Index was 60.6%.
*Not ranked last year. def: deficit.

Who's where in the stock market

Rank											
81	80	Company	5-year price change	1977-81 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
449	441	**Revco D S**	36.7%	27¼–10⅛	24⅜	20.4	$ 498	$2.24	11	$0.76	3.1%
450	292	**Cessna Aircraft**	36.4	36½–11¾	18¾	19.2	360	3.19	6	0.80	4.3
451	562	**Levitz Furniture**	36.0	40⅞–15½	34	4.3	145	3.00	11	1.00	2.9
452	261	**McDonnell Douglas**	35.8	52⅞–19⅝	32¼	39.0	1,258	4.69	7	1.06	3.3
453	575	**Upjohn**	35.7	69 –30	52¼	30.1	1,573	5.27	10	2.00	3.8
454	786	**Johnson & Johnson**	35.6	39⅜–20¾	35¼	186.4	6,571	2.17	16	0.88	2.5
455	477	**Thrifty Corp**	35.2	17⅜– 7¼	12	9.9	119	1.80	7	0.80	6.7
456	688	**Strawbridge & Clothier**	35.2	29⅝–18¼	26½	2.0	53	6.23	4	1.40	5.3
457	435	**Leaseway Transportation**	35.1	36⅝–18	27¼	11.9	324	3.72	7	1.50	5.5
458	326	**Westinghouse Electric**	34.8	34½–16	23¾	84.9	2,017	5.15	5	1.80	7.6
459	282	**Moore McCormack Res**	34.4	39⅞–16⅛	28	8.6	240	5.35	5	0.96	3.4
460	376	**Crane**	34.2	47½–21¾	35¼	10.2	359	4.96	7	1.60	4.5
461	641	**Girard**	34.1	31¼–18¾	29½	5.6	164	6.71	4	2.24	7.6
462	584	**Pittsburgh National**	33.3	28⅜–16½	28	12.4	347	4.20	7	1.72	6.1
463	234	**General Signal**	33.2	54¼–22¾	34⅞	27.4	956	4.19	8	1.60	4.6
464	491	**Edison Bros Stores**	33.1	35 –17¾	26½	11.4	302	4.01	7	1.44	5.4
465	772	**Quaker Oats**	33.0	37¾–20	34¾	19.2	666	5.31	7	1.80	5.2
466	735	**Genuine Parts**	33.0	35½–18¾	33¼	27.8	923	2.74	12	1.14	3.4
467	494	**USLIFE**	32.4	34 –14½	22½	22.4	504	3.97	6	0.80	3.6
468	694	**Southern Calif Edison**	32.2	30⅝–20	30¼	86.2	2,609	4.41	7	3.24	10.7
469	713	**Mellon National**	31.9	40 –22	38¼	19.6	752	5.55	7	2.24	5.9
470	546	**Pueblo International**	31.8	8⅝– 2¼	3⅝	3.9	14	0.60	6	0.12	3.3
471	375	**Consol Natural Gas**	31.5	57 –33⅝	48	19.8	949	7.62	6	3.52	7.3
472	397	**Ramada Inns**	31.4	17 – 3⅛	5¾	27.1	156	–0.80	def	none	0.0
473	915	**Wachovia**	31.0	28¼–15¼	27½	14.9	409	3.32	8	1.08	3.9
474	337	**Parker-Hannifin**	30.7	25½–13½	19¾	24.9	492	2.77	7	0.96	4.9
475	535	**Travelers**	30.3	54 –26⅜	47⅞	42.4	2,030	8.41	6	2.88	6.0
476	567	**First Wisconsin**	30.0	35⅞–19½	29¼	4.2	124	6.59	4	2.00	6.8
477	667	**NCNB**	29.9	18 –10	15¾	19.5	307	2.59	6	0.88	5.6
478	686	**Sterling Drug**	29.9	26⅞–12¾	21¾	60.7	1,321	1.99	11	1.00	4.6
479	307	**Allegheny Int'l**	29.7	55⅜–13¼	32	9.3	298	4.01	8	1.40	4.4
480	734	**Emerson Electric**	29.7	49¾–29⅜	44¼	64.0	2,863	4.26	11	2.00	4.5
481	431	**George A Hormel**	29.7	20 –10⅞	16⅜	9.6	157	2.71	6	0.96	5.9
482	413	**USF&G**	29.6	52 –25⅝	43	28.1	1,210	6.15	7	3.20	7.4
483	590	**Ferro**	29.4	35 –17	26¼	7.7	206	2.68	10	1.20	4.5
484	796	**Chubb**	29.4	51¾–29⅛	51¾	12.3	637	8.10	6	2.68	5.2
485	852	**Rohm & Haas**	29.2	71¾–28	62	13.0	803	7.03	9	2.80	4.5
486	335	**Amer Broadcasting**	29.1	47⅝–23⅛	34	28.2	960	4.96	7	1.60	4.7
487	502	**Fieldcrest Mills**	29.0	37¾–19	25	3.8	95	3.77	7	2.00	8.0
488	*	**Marion**	28.9	18⅛– 3⅛	6⅞	11.2	77	1.33	5	0.20	2.9
489	989	**CFS Continental**	28.7	17⅜– 6¼	17⅜	5.2	90	2.12	8	0.46	2.6
489	722	**Southland**	28.7	35 –16⅞	30⅞	23.7	731	3.86	8	1.08	3.5
491	560	**Delta Air Lines**	28.6	41⅜–15	24¾	39.8	984	3.21	8	1.00	4.0
491	598	**Lane Bryant**	28.6	23½–11⅝	15¾	3.6	57	2.70	6	1.10	7.0
493	532	**Continental Illinois**	28.5	42¾–21⅛	37¼	39.6	1,475	5.99	6	2.00	5.4
494	288	**Di Giorgio**	28.1	15⅛– 6½	9⅛	5.9	54	1.56	6	0.64	7.0
495	297	**Getty Oil**	27.9	108¼–33	62¾	82.2	5,155	10.36	6	2.40	3.8
496	218	**Amsted Industries**	27.8	49 –22	33	10.8	357	4.68	7	2.48	7.5
497	183	**Hyster**	27.6	50⅜–22¾	31¾	6.1	193	5.07	6	2.00	6.3
498	589	**W W Grainger**	27.5	44⅝–25	38¼	14.2	543	3.93	10	1.08	2.8
499	427	**United States Gypsum**	27.5	38¾–21	33⅝	16.3	547	4.74	7	2.40	7.1
500	84	**Shaklee**	27.2	39¼–11⅛	27⅛	6.2	169	3.85	7	1.00	3.7
501	333	**Witco Chemical**	27.0	33¾–15⅜	24⅞	9.3	230	4.05	6	1.80	7.2
502	256	**Texas Eastern**	26.9	89 –32	51⅞	25.4	1,317	8.67	6	3.80	7.3
503	473	**Questor**	26.8	12½– 4½	8⅞	9.8	87	0.15	59	none	0.0
504	370	**Tecumseh Products**	26.8	72½–49	62¾	5.5	343	10.72	6	3.20	5.1
505	497	**Hoover Universal**	26.7	25½–12¼	19¾	8.9	176	2.87	7	1.24	6.3
506	524	**Bendix**	26.6	67½–32⅜	56½	19.0	1,075	18.49	3	3.32	5.9
507	388	**MCA**	26.4	59 –24½	39⅞	23.8	950	4.30	9	1.50	3.8
508	666	**Chemical New York**	26.2	63 –33¼	54⅛	15.3	829	12.83	4	3.84	7.1
509	780	**Marsh & McLennan Cos**	26.0	42½–25⅞	35¾	36.7	1,313	3.15	11	2.00	5.6
510	279	**Midland-Ross**	25.9	30½–14	18¼	12.0	219	2.62	7	1.40	7.7
511	255	**Ex-Cell-O**	25.2	36¼–14	21½	15.2	327	3.64	6	1.48	6.9
512	468	**Lubrizol**	25.0	41¾–13⅞	22½	39.9	899	2.02	11	1.08	4.8

Note: Except as footnoted, price changes are measured from Dec. 31, 1976 to Nov. 18, 1981. For comparison, the five year change in the Consumer Price Index was 60.6%.

*Not ranked last year. def: deficit

Who's where in the stock market

Rank 81	Rank 80	Company	5-year price change	1977-81 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
512	275	**Oneok**	25.0%	44⅞–17½	28¾	11.5	**$ 330**	$4.42	7	$2.20	7.7%
512	682	**Zale**	25.0	33½–12⅞	20	10.4	**208**	5.81	3	1.26	6.3
515	895	**Munford**	24.3	14¾– 5¼	10⅞	2.2	**24**	1.38	8	0.10	0.9
516	336	**North American Coal**	24.3	49¼–14⅞	26⅞	3.3	**90**	1.10	24	0.72	2.7
517	924	**Monfort of Colorado**	24.2	9¾– 3⅜	5⅛	4.9	**25**	1.82	3	none	0.0
518	615	**Safeco**	24.2	41⅝–21⅞	39¾	18.9	**753**	5.22	8	2.20	5.5
519	362	**Frederick & Herrud**	23.5	9¾– 2⅞	5½	3.5	**19**	0.10	55	none	0.0
520	642	**Jack Eckerd**	23.4	31⅞–12½	23¾	37.4	**887**	2.19	11	0.92	3.9
521	940	**McDonald's**	23.0	72⅞–36¼	65⅝	40.3	**2,645**	6.32	10	1.00	1.5
522	776	**Gerber Products**	22.8	39½–17⅞	31	8.9	**276**	4.52	7	1.88	6.1
523	815	**Purex Industries**	22.4	26½–13¼	23¼	11.3	**263**	2.50	9	1.60	6.9
524	448	**American Natl Ins**	22.2	18¼– 9⅝	13¾	30.8	**424**	2.36	6	0.76	5.5
525	596	**Allied Products**	22.1	14⅞– 6¾	8¾	2.7	**24**	0.05	NM	0.20	2.3
526	401	**Carson Pirie Scott**	21.7	26½–12¾	16⅛	4.0	**65**	5.22	3	1.20	7.4
527	324	**Houston Natural Gas**	21.5	63¼–19¾	41¾	40.0	**1,672**	5.94	7	1.50	3.6
528	617	**Roper Corp**	21.3	15⅝– 8⅜	14¼	3.3	**48**	2.30	6	0.90	6.3
529	927	**Kane-Miller**	21.3	13¾– 6½	12⅛	2.9	**35**	1.92	6	0.28	2.3
530	988	**Mercantile Stores**	21.2	57 –29⅝	55	5.9	**324**	9.46	6	1.75	3.2
531	565	**Amer Hospital Supply**	21.1	52 –22	37¼	41.8	**1,556**	3.21	12	1.08	2.9
532	699	**Brooklyn Union Gas**	21.0	25⅝–18⅝	23¾	8.0	**190**	4.05	6	2.40	10.1
533	303	**Lone Star Industries**	20.9	38⅜–16¾	26¾	11.6	**309**	4.38	6	1.85	6.9
534	726	**Bank of New York**	20.9	47⅜–26¾	44⅛	6.9	**306**	7.47	6	3.20	7.3
535	702	**Celanese**	20.8	69¼–35⅝	59½	15.7	**931**	9.35	6	4.00	6.7
536	296	**InterNorth**	20.3	49¾–16⅛	28⅞	44.6	**1,287**	5.07	6	2.12	7.3
537	*	**First Union Bancorp**	20.2	26¾–16⅞	25¼	7.6	**191**	4.75	5	1.80	7.1
538	475	**Crown Cork & Seal**	20.2	37 –19¾	26	14.6	**378**	3.77	7	none	0.0
539	323	**Chromalloy American**	20.2	28¼–14½	17⅞	15.1	**270**	2.81	6	1.10	6.2
540	354	**Southern Union**	20.2	34⅛–12⅜	22¾	10.2	**231**	3.73	6	1.56	6.9
541	392	**Cone Mills**	20.1	43½–21¼	30⅝	5.8	**177**	6.38	5	2.20	7.2
542	374	**Armco**	20.0	41¾–14⅞	26	62.6	**1,629**	4.95	5	1.80	6.9
543	762	**AMF**	19.9	28 –11½	25⅝	22.8	**584**	0.80	32	1.36	5.3
544	434	**Texaco**	19.8	54⅜–22⅛	33¼	263.2	**8,752**	8.65	4	3.00	9.0
545	26[illegible]	**Republic Airlines**	19.4	11⅞– 3½	4⅝	21.3	**98**	–1.91	def	0.10	2.2
546	482	**Timken**	18.9	78 –41	63	11.2	**707**	8.60	7	3.40	5.4
547	389	**Phillips Petroleum**	18.7	62⅞–25¾	39¼	152.2	**5,973**	6.44	6	2.20	5.6
548	349	**Gulf Oil**	18.6	54½–22¼	34¼	190.1	**6,510**	6.33	5	2.80	8.2
549	313	**Trane**	18.2	27¾–15⅜	21½	10.2	**219**	3.26	7	1.20	5.6
550	748	**Consolidated Foods**	17.8	33¼–19¾	31⅜	28.1	**881**	4.74	7	2.12	6.8
551	730	**Merck**	17.8	103 –47⅜	80¼	74.2	**5,956**	5.38	15	2.80	3.5
552	659	**American Stores**	17.6	34½–17¾	26¾	9.9	**264**	3.83	7	0.80	3.0
552	469	**Butler Manufacturing**	17.6	32¾–18½	26¼	5.5	**146**	3.11	9	1.32	4.9
554	592	**Lincoln National**	17.2	48 –31⅞	42½	20.9	**887**	6.48	7	3.00	7.1
555	814	**So New England Tel**	16.9	46 –29½	45¾	13.4	**613**	8.14	6	4.08	8.9
556	891	**Gillette**	16.6	35⅝–17⅝	32½	30.3	**984**	3.00	11	2.10	6.5
557	433	**Exxon**	15.6	44½–21¼	31	864.3	**26,793**	6.76	5	3.00	9.7
558	283	**Cook United**	15.6	10⅜– 2½	4⅛	6.3	**26**	0.37	11	none	0.0
559	417	**Data General**	15.2	87¾–34	52¼	10.4	**545**	3.85	14	none	0.0
560	727	**United Telecom**	15.1	24 –14	22⅞	73.9	**1,691**	3.45	7	1.68	7.3
561	942	**Avery International**	14.9	26½–12¼	25	9.0	**225**	2.42	10	0.80	3.2
562	432	**National Gypsum**	14.6	31⅝–13⅞	19⅝	15.9	**311**	2.77	7	1.48	7.5
563	*	**Maryland National**	14.5	24¾–12½	23¾	7.2	**172**	4.83	5	1.16	4.9
564	523	**Crocker National**	14.3	42 –22⅞	32	13.9	**446**	5.77	6	2.40	7.5
564	690	**Fischbach**	14.3	42 –19¾	34	3.4	**115**	5.88	6	2.00	5.9
566	755	**New England Electric**	14.1	26⅝–17¼	26¼	22.5	**590**	3.95	7	2.80	10.7
567	568	**Michigan National**	13.7	21⅜–11⅜	17¼	10.6	**182**	3.77	5	1.20	7.0
568	801	**Walt Disney**	13.6	67⅛–31½	52⅞	32.4	**1,714**	3.72	14	1.20	2.3
569	348	**Intl Minerals & Chem**	13.5	66½–22¾	30¾	27.2	**836**	5.61	5	2.60	8.5
570	679	**Scott & Fetzer**	13.5	36⅛–17¼	29½	7.3	**216**	3.78	8	1.80	6.1
571	632	**Snap-On Tools**	13.3	30¼–12⅜	19⅛	20.2	**386**	1.85	10	0.84	4.4
572	536	**Westvaco**	13.1	30½–15½	23¾	25.6	**608**	3.95	6	1.20	5.1
573	108	**Playboy Enterprises**	13.0	32¾– 5½	6½	9.9	**64**	1.31	5	0.12	1.8
574	440	**Motorola**	12.9	90½–33⅝	64⅜	31.5	**2,029**	5.81	11	1.60	2.5
575	662	**Citizens & Sthrn Ga**	12.9	9½– 4	8¾	28.8	**252**	1.43	6	0.48	5.5
576	458	**Kaufman & Broad**	12.9	16⅛– 5⅛	9⅞	12.0	**118**	0.96	10	0.24	2.4

Note: Except as footnoted, price changes are measured from Dec. 31, 1976 to Nov. 18, 1981. For comparison, the five year change in the Consumer Price Index was 60.6%.

*Not ranked last year. def: deficit. NM: not meaningful.

Who's where in the stock market

Rank 81	Rank 80	Company	5-year price change	1977-81 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
577	503	Joy Manufacturing	12.7%	42⅞–18	35⅛	19.6	$ 689	$4.48	8	$1.40	4.0%
578	481	Deere	12.7	49¾–22½	35⅝	67.4	2,402	3.69	10	2.00	5.6
579	600	Intl Multifoods	12.5	25½–13¼	21⅜	8.0	172	3.80	6	1.48	6.9
580	269	Imperial Corp of Am	12.2	35 –13⅛	18⅝	14.2	261	–0.12	def	none	0.0
581	817	American Express	12.0	54⅜–25¼	45½	91.6	4,168	5.47	8	2.20	4.8
582	521	Wells Fargo	11.6	36⅛–21⅝	30⅛	24.1	725	5.50	5	1.92	6.4
583	810	Florida Power & Lt	11.3	32 –19⅞	30¾	43.7	1,345	3.60	9	3.04	9.9
584	489	Allied Corp	11.3	61¾–27⅝	44½	33.7	1,500	10.15	4	2.40	5.4
585	862	Sunbeam	11.1	36½–12⅝	27½	15.1	415	3.16	9	1.50	5.5
586	636	Gulf & Western Inds	10.5	22⅛– 8	16⅛	75.7	1,221	3.75	4	0.75	4.7
587	207	Best Products	10.2	34¼–11¼	17⅝	9.7	171	2.52	7	0.32	1.8
588	305	Dravo	10.1	33⅛–14⅞	16⅞	12.9	217	1.40	12	0.96	5.7
589	626	Equitable of Iowa	10.0	22¼–14	15¾	6.2	98	2.70	6	1.28	8.1
590	635	Amer Maize-Products	10.0	20⅞– 5⅞	10½	5.2	55	2.19	5	0.52	5.0
591	486	ACF Industries	10.0	52¼–27½	38⅝	9.1	351	3.36	11	2.76	7.1
592	848	Allied Stores	9.8	31⅛–18⅝	25¼	20.2	509	4.21	6	1.80	7.1
593	594	FMC	9.7	35¾–20⅛	26⅞	32.3	868	3.51	8	1.60	6.0
594	573	Air Prods & Chems	9.6	54¼–21	38	28.5	1,084	4.42	9	0.80	2.1
595	467	Tesoro Petroleum	9.4	32¼– 6¾	17½	15.3	267	4.84	4	0.40	2.3
596	657	Brunswick	9.2	22½–10⅛	17¾	20.3	360	2.63	7	0.90	5.1
597	322	Louisiana-Pacific	8.9	31 –10¼	17⅛	30.9	528	1.06	16	0.80	4.7
598	698	Kerr-McGee	8.8	46½–19⅞	37¼	51.8	1,928	3.79	10	1.10	3.0
599	890	American Home Products	8.2	37¼–21⅛	34⅝	155.5	5,385	3.09	11	2.00	5.8
600	358	SCM	8.1	32¼–15⅛	23½	9.5	222	5.00	5	2.00	8.5
601	835	Denny's	8.0	35 –11⅞	26⅞	9.9	266	3.25	8	0.88	3.3
602	386	U S Industries	7.8	12⅛– 6¼	8⅝	23.8	205	–2.95	def	0.76	8.8
603	672	Olin	7.7	27 –12½	22⅞	24.1	551	2.14	11	1.20	5.2
604	745	Eli Lilly	7.6	68¾–32⅝	51¼	76.0	3,894	4.76	11	2.30	4.5
605	680	Anderson, Clayton	7.5	27⅜–18⅛	25¼	12.3	312	4.80	5	1.20	4.8
606	650	Genl Tire & Rubber	7.2	30 –12	25¼	24.1	609	5.29	5	1.50	5.9
607	763	Potomac Elec Power	7.0	16⅝–10	15⅜	43.5	669	2.10	7	1.60	10.4
608	759	Nash Finch	6.9	16 –12	15½	3.4	53	3.00	5	1.34	8.6
609	739	Greyhound	6.7	20¼–11	16	45.3	725	3.10	5	1.20	7.5
609	243	NCR	6.7	81½–32	40	26.7	1,067	8.77	5	2.20	5.5
611	361	Mead	6.6	33⅞–16¾	22⅛	26.5	587	4.53	5	2.00	9.0
612	549	Natl Semiconductor	6.3	51½–10⅛	19¾	22.5	445	1.57	13	none	0.0
613	675	National Fuel Gas	6.3	36⅜–21¼	29¾	5.1	152	5.93	5	2.90	9.7
614	697	Interco	6.2	57¼–34	49⅛	14.2	695	7.90	6	2.88	5.9
615	430	Ethyl	5.8	36½–18⅜	22¾	19.3	439	4.50	5	1.50	6.6
616	676	Ceco	5.8	24⅜– 9⅛	18¼	3.2	59	4.08	4	0.96	5.3
616	543	Hammermill Paper	5.8	35¼–16	27⅜	7.3	199	5.38	5	1.84	6.7
618	736	Continental Tel	5.7	19½–12⅝	18⅝	58.4	1,087	2.24	8	1.56	8.4
618	514	Emhart	5.7	45 –23¼	30¾	13.2	405	4.62	7	2.40	7.8
620	620	AMAX	5.4	69 –20¼	42	62.7	2,634	4.51	9	2.40	5.7
621	564	Amstar	5.4	32½–14	24½	9.0	221	8.76	3	1.90	7.8
622	480	Williams Companies	5.4	49⅞–14	27	29.8	803	4.62	6	1.20	4.4
623	248	Toro	5.4	29⅝– 5⅞	7⅜	5.6	41	–3.03	def	none	0.0
624	507	Columbia Gas System	5.4	47 –25⅛	32	33.3	1,066	5.12	6	2.70	8.4
625	449	NICOR	5.3	45½–26⅛	32½	21.3	692	5.12	6	2.84	8.7
626	*	Hawaiian Electric	5.2	28¼–18¼	25½	6.6	167	3.62	7	2.84	11.1
627	295	United Technologies	5.1	65¾–32¼	40⅞	51.7	2,112	7.73	5	2.40	5.9
628	775	General Foods	5.0	37 –23½	31¼	49.4	1,569	4.79	7	2.20	6.9
628	423	Gt Northern Nekoosa	5.0	47¾–23⅛	34⅜	16.2	556	5.85	6	2.00	5.8
630	766	General Tel & Elec	4.7	34¼–23	33⅜	162.6	5,425	4.17	8	2.84	8.5
631	828	Easco	4.7	30¼–13⅝	22½	3.3	73	3.57	6	1.32	5.9
632	919	Liberty Natl Ins Hld	4.5	28¼–16⅜	26⅜	18.8	496	3.87	7	1.40	5.3
633	710	McCormick	4.4	32¾–12⅝	17⅞	12.3	220	1.87	10	0.83	4.6
634	643	Universal Foods	3.7	23 – 9⅞	15⅛	7.0	106	1.95	8	0.96	6.3
635	903	J P Morgan	3.3	63⅞–39⅝	58⅛	38.9	2,261	7.61	8	3.10	5.3
636	668	Illinois Tool Works	3.2	33¼–18½	28½	12.2	349	3.26	9	1.08	3.8
637	550	PPG Industries	3.0	58¼–23⅛	39½	34.9	1,379	6.97	6	2.36	6.0
638	528	Riegel Textile	3.0	25½–15¼	21¼	3.8	80	4.44	5	1.80	8.5
639	406	Saxon Industries	2.6	9¾– 3¾	4⅞	7.1	35	0.45	11	0.05	1.0
640	652	Magic Chef	2.6	15⅞– 6	10	7.8	78	2.03	5	0.48	4.8

Note: Except as footnoted, price changes are measured from Dec. 31, 1976 to Nov. 18, 1981. For comparison, the five year change in the Consumer Price Index was 60.6%.

*Not ranked last year. def: deficit.

Who's where in the stock market

Rank 81	Rank 80	Company	5-year price change	1977-81 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
641	225	**Raymond Intl**	2.2%	36 –12⅝	19	6.0	**$ 113**	$2.49	8	$1.00	5.3%
642	905	**General Mills**	2.2	39½–19	35⅛	50.4	**1,771**	4.29	8	1.64	4.7
643	923	**Squibb**	2.1	39¼–21⅜	30⅛	50.0	**1,505**	2.39	13	1.26	4.2
644	633	**DETROITBANK**	2.1	29¾–18¾	24¼	8.1	**196**	4.09	6	2.00	8.2
645	355	**Peoples Energy**	2.1	62⅞–31⅝	37⅛	29.2	**1,083**	5.40	7	3.08	8.3
646	517	**Tiger International**	2.0	34⅝–10⅛	12½	16.9	**212**	1.39	9	0.90	7.2
647	533	**McGraw-Edison**	2.0	51 –20¾	32	16.5	**528**	3.93	8	1.80	5.6
648	176	**Savin**	2.0	25 – 7	9⅝	6.2	**60**	–1.57	def	0.34	3.5
649	887	**Duke Power**	1.7	23½–13¾	22⅜	87.4	**1,956**	3.17	7	2.20	9.8
650	678	**NLT**	1.6	37 –15½	24⅜	34.6	**844**	3.90	6	1.32	5.4
651	607	**Eaton**	1.3	41½–20¼	29⅝	27.2	**806**	2.96	10	1.72	5.8
652	811	**TECO Energy**	1.2	22¾–13¼	20½	16.4	**336**	3.30	6	1.72	8.4
653	720	**Sherwin-Williams**	1.2	23¼– 9⅞	20¾	9.9	**205**	3.39	6	0.80	3.9
654	504	**Malone & Hyde**	1.0	39¼–21¼	25½	7.8	**199**	2.37	11	1.40	5.5
655	721	**Northwest Airlines**	0.8	38¼–19	30	21.7	**650**	0.90	33	0.80	2.7
656	483	**North Amer Philips**	0.7	59⅝–23½	36¼	13.6	**494**	7.85	5	1.70	4.7
657	645	**Lukens Steel**	0.5	19 –10¾	13	5.2	**68**	2.12	6	0.72	5.5
658	639	**White Consolidated**	0.5	38 –16¾	27	13.3	**359**	5.39	5	1.50	5.6
659	556	**Boise Cascade**	0.0	48¼–22¼	33⅝	26.6	**896**	4.53	7	1.90	5.7
659	301	**Nashua**	0.0	38 –15⅝	18	4.7	**84**	3.10	6	1.60	8.9
659	306	**Occidental Petroleum**	0.0	39⅛–14⅞	24	94.4	**2,267**	6.78	4	2.50	10.4
659	909	**Texas Utilities**	0.0	23⅜–14⅞	21¼	104.4	**2,271**	3.51	6	1.88	8.6
663	768	**Diamond Intl**	–0.3	50 –26¼	36¼	13.7	**497**	2.50	15	2.20	6.1
664	674	**General Electric**	–0.5	69⅞–43⅝	55⅜	227.9	**12,618**	7.07	8	3.20	5.8
665	428	**Bemis**	–0.6	32⅝–18	22⅝	3.8	**85**	4.34	5	1.60	7.1
666	714	**West Point-Pepperell**	–0.6	26 –13⅝	20¼	9.9	**200**	4.23	5	1.80	8.9
667	818	**Florida Power**	–0.8	17⅛–10⅞	15⅞	36.2	**575**	2.62	6	1.80	11.3
668	795	**Owens-Illinois**	–0.9	33 –17⅛	27⅞	29.8	**830**	5.41	5	1.56	5.6
669	954	**Fisher Foods**	–1.1	15½– 5⅝	11¾	6.1	**71**	1.49	8	0.60	5.1
670	512	**Dayco**	–1.3	17⅝– 9¾	12⅜	5.9	**73**	1.21	10	0.56	4.5
671	614	**Southern Pacific**	–1.4	55 –25	35⅜	27.0	**955**	6.24	6	2.60	7.3
672	939	**Fidelcor**	–1.5	24⅞– 8⅞	24⅛	5.1	**123**	4.46	5	1.00	4.1
673	816	**Pacific Gas & Elec**	–1.6	25½–19¼	22¾	126.4	**2,877**	3.43	7	2.72	12.0
674	800	**GAF**	–1.9	16⅜– 7¼	13⅛	13.7	**180**	1.17	11	0.80	6.1
675	411	**H F Ahmanson**	–2.3	28¼–14½	16	23.7	**380**	–0.05	def	1.20	7.5
676	792	**Arizona Public Service**	–2.6	21⅝–14⅝	19⅛	53.3	**1,019**	3.03	6	2.28	11.9
677	400	**Gt Western Financial**	–2.7	27¾–12	15¼	22.6	**345**	0.37	41	0.88	5.8
678	578	**Transway Intl**	–2.7	30½–19¼	22½	6.5	**147**	3.76	6	1.80	8.0
679	754	**American Airlines**	–2.8	21⅝– 6¾	13⅛	28.7	**377**	–1.29	def	none	0.0
680	692	**Continental Group**	–3.3	40½–25¼	32¾	33.0	**1,080**	7.85	4	2.60	7.9
681	811	**Lucky Stores**	–3.5	18½–12¼	13⅞	50.2	**696**	1.81	8	1.16	8.4
682	787	**Montana Power**	–3.6	36⅜–18	26½	13.7	**363**	3.71	7	2.28	8.6
683	777	**Laclede Gas**	–3.7	24¼–14⅞	19½	4.4	**85**	3.15	6	2.40	12.3
684	738	**Commonwealth Energy**	–3.9	18⅞–11¾	15½	7.8	**121**	2.20	7	1.88	12.1
685	750	**Continental Corp**	–4.1	31⅞–21½	26¼	50.8	**1,334**	3.18	8	2.40	9.1
686	829	**American Tel & Tel**	–4.1	65⅝–45	60⅞	812.8	**49,477**	8.52	7	5.40	8.9
687	664	**Ryan Homes**	–4.4	30 –14⅜	19	6.6	**126**	1.49	13	1.30	6.8
688	356	**DeSoto**	–4.5	20¼–10	13⅜	5.5	**74**	2.29	6	1.12	8.4
689	585	**Square D**	–4.5	37⅜–17⅝	26⅝	26.9	**717**	3.99	7	1.84	6.9
690	251	**United Brands**	–4.8	17⅜– 6⅝	10	10.6	**106**	0.83	12	0.40	4.0
691	819	**Kansas Power & Light**	–5.0	23⅝–14½	19⅛	15.1	**289**	3.17	6	2.20	11.5
692	496	**National Distillers**	–5.0	33⅜–18	23⅞	32.1	**767**	3.74	6	2.20	9.2
693	842	**Wisconsin Pwr & Lt**	–5.1	23 –14⅛	21⅛	11.6	**246**	3.00	7	2.08	9.8
694	510	**Gulf Resources & Chem**	–5.2	37⅞– 8⅛	16⅛	8.9	**143**	–8.27	def	none	0.0
695	415	**Bell & Howell**	–5.3	34⅜–13⅞	17¼	5.6	**100**	2.57	7	0.96	5.4
696	540	**Contineatal Airlines**	–5.5	17½– 6	6½	15.4	**100**	–4.04	def	none	0.0
697	561	**Stewart-Warner**	–5.6	33⅛–13⅞	21	6.5	**136**	2.60	8	1.68	8.0
698	900	**Capital Holding**	–5.6	26½–16	21	27.9	**586**	3.37	6	1.20	5.7
699	703	**American Cyanamid**	–5.8	38 –20⅝	26¼	48.0	**1,261**	3.75	7	1.75	6.7
700	310	**Louisiana Land**	–5.9	63¾–19½	28	38.0	**1,063**	4.61	6	1.80	6.4
701	647	**Harcourt Brace Jovan**	–5.9	21 –12⅞	15⅞	8.8	**140**	2.48	6	1.00	6.3
702	723	**Interlake**	–6.0	45 –21⅛	35½	6.1	**217**	8.92	4	2.60	7.3
703	606	**NBD Bancorp**	–6.3	35⅜–22½	26⅛	12.3	**320**	5.72	5	2.08	8.0
704	729	**Atlanta Gas Light**	–6.3	17⅛–12⅝	14⅞	4.5	**67**	2.57	6	1.68	11.3

Note: Except as footnoted, price changes are measured from Dec. 31, 1976 to Nov. 18, 1981. For comparison, the five year change in the Consumer Price Index was 60.6%.
def: deficit.

Who's where in the stock market

Rank		Company	5-year price change	1977-81 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
81	80										
705	813	Wisconsin Public Svc	–6.4%	21¾–13⅝	20¼	11.1	$ 225	$2.84	7	$1.96	9.7%
706	616	American Bakeries	–6.4	18⅜–10¾	11	2.4	26	–0.75	def	none	0.0
707	741	Houston Industries	–6.7	24⅛–16½	19¾	73.4	1,450	3.20	6	2.00	10.1
708	580	Edward Hines Lumber	–6.8	27¾–12	17¼	1.8	31	–1.29	def	0.60	3.5
709	837	Wm Wrigley Jr	–6.8	48⅜–28½	34¼	7.9	270	4.02	9	2.24	6.5
710	820	Baltimore Gas & Elec	–7.0	28½–18⅜	24⅞	33.3	828	3.83	6	2.68	10.8
711	806	Winn-Dixie Stores	–7.1	37¼–23⅝	31⅝	24.8	784	3.80	8	2.16	6.8
712	804	Indianapolis Pwr & Lt	–7.1	27 –17	22¾	14.3	326	2.95	8	2.40	10.5
712	859	Sybron	–7.1	24¾–12	17⅞	9.6	171	2.16	8	1.08	6.0
714	936	Pac Gamble Robinson	–7.3	25⅛–15⅞	21	2.0	41	2.91	7	1.60	7.6
715	748	San Diego Gas & Elec	–7.7	16⅜– 9	13½	41.2	556	2.27	6	1.68	12.4
716	962	Royal Crown Cos	–7.8	21½–10⅝	16¼	8.2	133	1.45	11	1.04	6.4
717	875	Clorox	–8.2	15⅞– 7⅞	11¼	23.0	258	1.78	6	0.84	7.5
718	951	Walter E Heller Intl	–8.3	34 –14	20⅝	11.9	244	3.62	6	1.30	6.3
718	332	H K Porter	–8.3	75 –47	55	1.2	64	4.46	12	3.20	5.8
720	545	GATX	–8.5	46 –22¼	31⅛	12.9	401	5.31	6	2.40	7.7
721	704	Amerace	–8.8	32¼–16¼	16¾	2.5	42	3.40	5	1.32	7.9
722	865	Intl Flavors & Frag	–9.0	27⅝–16⅝	20⅛	36.6	737	1.42	14	1.00	5.0
723	603	Textron	–9.1	38½–20⅝	25	34.4	860	2.36	11	1.80	7.2
724	957	Wisconsin Elec Power	–9.2	32¾–19	28½	20.6	587	3.68	8	2.68	9.4
725	857	Niagara Mohawk Power	–9.6	17¼–10	13	81.2	1,056	2.26	6	1.64	12.6
726	684	Philadelphia Natl	–9.8	35 –23½	31⅛	5.8	181	6.08	5	3.08	9.9
727	695	AmeriTrust	–9.9	38 –23	31¼	9.3	289	5.96	5	2.72	8.7
728	486	Willamette Inds	–9.9	48⅝–20⅜	27⅝	14.8	409	2.63	11	1.50	5.4
729	789	WICOR	–10.4	25⅜–16⅜	18⅜	4.1	75	2.84	6	2.14	11.6
730	665	Caterpillar Tractor	–10.8	73¼–43½	51¾	87.5	4,529	7.11	7	2.40	4.6
731	805	Manufacturers Hanover	–10.8	41⅜–26½	35	33.6	1,177	7.17	5	2.72	7.8
732	904	No States Power	–11.0	30½–18	26¼	29.3	770	3.81	7	2.56	9.8
733	623	Arvin Industries	–11.2	23⅜– 9¾	14⅞	6.8	102	2.32	6	1.12	7.5
734	824	Pillsbury	–11.3	47¾–27⅛	36½	21.6	788	5.68	6	2.24	6.1
735	785	Northern Trust	–11.3	42 –27¾	37¼	4.8	179	7.08	5	2.72	7.3
736	873	A H Robins	–11.5	14¾– 6⅝	10⅝	25.1	266	1.10	10	0.48	4.5
737	372	Ideal Basic Inds	–11.5	36¼–16½	20¼	13.6	276	3.07	7	1.70	8.4
737	756	Mercantile Bancorp	–11.5	32½–20½	27	5.9	159	6.16	4	2.48	9.2
739	897	Northeast Utilities	–11.5	12⅜– 7⅜	9⅝	78.5	755	1.34	7	1.18	12.3
740	849	Delmarva Power & Lt	–11.5	15 –10¼	12½	25.3	316	1.65	8	1.52	12.2
741	825	American Can	–11.5	45¼–27	34½	19.4	668	3.88	9	2.90	8.4
742	725	J P Stevens	–11.6	18¾–11	14¼	14.5	206	–1.62	def	1.20	8.4
743	965	Central & South West	–11.9	17⅜–11¼	14⅞	80.1	1,192	2.53	6	1.58	10.6
744	769	Minn Mining & Mfg	–11.9	66 –43	49⅞	117.4	5,856	4.92	10	3.00	6.0
745	488	Pettibone	–11.9	29¼–14½	15½	2.8	43	–1.00	def	0.60	3.9
746	914	Norton Simon	–12.0	20⅞–11	16¾	39.6	664	2.40	7	1.08	6.4
747	753	Dana	–12.1	33½–17⅞	25½	35.5	906	3.26	8	1.60	6.3
748	658	Signode	–12.2	45 –28⅜	35⅛	8.0	282	3.95	9	2.00	5.7
749	727	Northwest Bancorp	–12.2	32⅜–18	25⅛	26.0	654	4.30	6	1.64	6.5
750	886	Boston Edison	–12.3	28⅜–18⅝	24	14.0	336	4.82	5	2.80	11.7
751	461	Super Food Services	–12.4	16⅜– 9⅞	11¾	1.9	22	1.11	11	0.44	3.7
752	898	First Chicago	–12.6	25⅜–10¾	20	39.9	798	2.32	9	1.20	6.0
753	758	BancOhio	–12.7	24½–11¾	15¼	8.0	123	4.13	4	0.80	5.2
754	774	Minnesota Gas	–12.7	25⅛–17⅛	20⅝	4.3	88	3.85	5	2.16	10.5
755	765	CBS	–12.8	64¾–42½	51¾	27.9	1,444	6.45	8	2.80	5.4
756	871	Longs Drug Stores	–12.9	36⅞–20⅝	29½	10.6	312	2.66	11	0.92	3.1
757	451	Rexnord	–13.0	21⅛–14½	15	20.0	300	1.87	8	1.08	7.2
758	571	Amer Natl Resources	–13.4	56½–34¼	38	23.4	889	6.48	6	3.44	9.1
759	802	Pay'n Save	–13.5	29⅝–18	22½	5.5	124	3.09	7	1.00	4.4
760	982	Culbro	–13.5	23⅜– 6	18⅜	3.2	59	18.59	1	0.25	1.4
761	577	Blue Bell	–13.8	37⅞–18¼	25	12.6	314	3.70	7	1.80	7.2
762	655	Gould	–14.2	35½–19¼	25¾	36.8	948	2.27	11	1.72	6.7
763	952	Coca-Cola	–14.2	47¼–28⅞	33⅞	123.6	4,187	3.82	9	2.32	6.8
764	803	Pub Svc Elec & Gas	–14.7	26⅛–15½	19⅝	84.3	1,654	2.69	7	2.44	12.4
765	624	Intl Tel & Tel	–14.8	36⅜–22⅞	28⅞	126.5	3,651	3.93	7	2.68	9.3
766	996	Keystone Consolidated	–14.8	21⅞– 7¼	18	1.9	34	3.04	6	none	0.0
766	542	Potlatch	–14.8	49¼–23⅝	30¼	15.3	462	2.34	13	1.48	4.9
768	579	Interpace	–14.8	31¼–15	17¼	4.2	72	3.16	5	1.50	8.7

Note: Except as footnoted, price changes are measured from Dec. 31, 1976 to Nov. 18, 1981. For comparison, the five year change in the Consumer Price Index was 60.6%.
def: deficit.

Who's where in the stock market

Rank		Company	5-year price change	1977-81 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
81	80										
769	708	**Utah Power & Light**	-14.9%	23¼–13	19	40.2	**$ 763**	$2.55	7	$2.20	11.6%
770	878	**Carolina Pwr & Lt**	-15.0	25⅜–14⅞	20½	52.3	**1,071**	3.30	6	2.40	11.7
771	743	**National-Standard**	-15.0	23⅞–13	14⅛	4.1	**58**	0.27	52	1.24	8.8
772	917	**Whirlpool**	-15.1	30½–14⅝	23¼	36.3	**843**	3.94	6	1.60	6.9
773	719	**Echlin Manufacturing**	-15.2	21½–10	11⅞	20.6	**244**	0.70	17	0.52	4.4
774	850	**First Bank System**	-15.3	46½–32¾	37½	15.2	**569**	7.21	5	2.44	6.5
775	419	**Amer Hoist & Derrick**	-15.3	26⅝–12	15¼	6.1	**93**	3.17	5	1.12	7.3
776	868	**Kellogg**	-15.4	27⅞–15⅝	23⅜	76.4	**1,787**	2.54	9	1.50	6.4
777	259	**Gibraltar Financial**	-15.5	16⅝– 4⅜	5½	14.0	**77**	-2.74	def	none	0.0
778	845	**Southwestern Pub Svc**	-15.7	16 – 9½	12¾	32.0	**408**	1.91	7	1.50	11.8
779	970	**Moore Corp**	-16.0	38⅝–23½	30¼	28.0	**848**	4.14	7	1.80	6.0
780	605	**Robertshaw Controls**	-16.2	29½–14⅝	19⅜	3.5	**68**	2.75	7	1.40	7.2
781	941	**Va Electric & Power**	-16.3	15¾– 9⅛	12⅞	104.1	**1,340**	1.85	7	1.50	11.7
782	613	**Scott Paper**	-16.3	28½–12	17⅜	43.0	**747**	2.96	6	1.00	5.8
783	893	**Gulf States Utils**	-16.4	14⅞– 9	12⅛	56.6	**687**	2.22	5	1.48	12.2
784	637	**Manufacturers National**	-16.8	30⅜–14	17¾	5.1	**91**	1.28	14	2.20	12.4
785	832	**Rochester Gas & Elec**	-16.9	19 –10⅞	14¼	18.9	**269**	2.59	6	1.60	11.2
786	447	**Tenneco**	-17.0	58⅜–28	30½	128.9	**3,930**	5.67	5	2.60	8.5
787	847	**Long Island Lighting**	-17.1	20⅜–13½	15⅛	80.1	**1,211**	2.63	6	1.94	12.8
788	798	**Pennwalt**	-17.2	42½–25⅜	27⅛	9.0	**243**	3.43	8	2.20	8.1
789	516	**Penn Traffic**	-17.3	19¼–11¼	12⅞	2.1	**28**	2.48	5	1.20	9.3
790	450	**Eastern Gas & Fuel**	-17.3	32½–13	22⅛	22.7	**501**	2.30	10	1.20	5.4
791	793	**E I du Pont**	-17.3	56 –31⅛	37¼	234.4	**8,732**	5.86	6	2.40	6.4
791	907	**Kansas City Pwr & Lt**	-17.3	32⅜–18⅛	24½	15.5	**379**	3.17	8	2.96	12.1
793	860	**Jefferson-Pilot**	-17.8	38 –22⅛	26½	21.9	**579**	4.53	6	1.52	5.7
794	518	**Alcoa**	-17.9	38¼–19⅜	23½	74.4	**1,750**	4.94	5	1.80	7.7
795	937	**Central Illinois Lt**	-17.9	19¾–11¼	14⅞	11.6	**172**	2.34	6	1.82	12.2
796	528	**A O Smith**	-18.1	24⅞–12⅛	13	4.9	**64**	2.83	5	1.00	7.7
797	906	**Procter & Gamble**	-18.2	93⅜–62¾	76⅝	82.7	**6,340**	8.39	9	4.20	5.5
798	767	**Phelps Dodge**	-18.2	48½–17⅝	33¼	20.9	**706**	3.92	9	1.60	4.7
799	912	**Northwestern Steel**	-18.3	38¾–20¼	24½	7.5	**184**	3.75	7	1.20	4.9
800	715	**Anchor Hocking**	-18.5	21½–13¾	16½	10.3	**169**	2.87	6	1.36	8.2
801	911	**Middle South Utils**	-18.7	17⅞–10¼	13⅝	122.6	**1,671**	2.42	6	1.66	12.2
802	877	**So Carolina E & G**	-18.7	21 –12	15¾	29.2	**459**	2.43	6	1.82	11.6
803	493	**Kaiser Alum & Chem**	-18.8	30¼–13¾	14⅞	42.9	**639**	4.46	3	1.40	9.4
804	807	**St Regis Paper**	-19.1	42½–25¼	31⅛	34.2	**1,070**	5.28	6	2.24	7.2
805	784	**Central Soya**	-19.1	21⅛– 8⅝	11⅝	15.2	**177**	1.31	9	0.84	7.2
806	599	**Hoover**	-19.2	18⅝– 8⅝	9½	12.3	**117**	-1.28	def	1.00	10.5
807	961	**Collins & Aikman**	-19.2	13½– 6¼	10½	10.8	**114**	1.49	7	0.72	6.9
808	788	**Stauffer Chemical**	-19.6	27¾–14½	20	44.0	**880**	3.82	5	1.32	6.6
809	885	**Penn Power & Light**	-19.7	25⅛–14½	17⅞	56.4	**1,008**	3.04	6	2.24	12.5
810	299	**Del E Webb**	-19.7	38 – 6⅛	7⅛	9.6	**68**	1.14	6	none	0.0
811	992	**Heublein**	-20.1	42⅞–22	33⅜	21.5	**718**	4.32	8	2.00	6.0
812	834	**Borden**	-20.2	36⅜–19⅝	27⅛	29.4	**797**	5.15	5	2.05	7.6
813	881	**Detroit Edison**	-20.7	18 –10	12	88.4	**1,061**	2.12	6	1.68	14.0
814	648	**Diamond Shamrock**	-20.8	39⅝–19	27⅛	62.6	**1,699**	1.69	16	1.76	6.5
815	830	**Republic Steel**	-21.0	34⅞–20¼	25⅞	16.2	**419**	12.63	2	2.00	7.7
816	380	**Howell**	-21.0	33 – 4⅜	9⅞	4.9	**49**	1.83	5	0.40	4.1
817	746	**Beneficial Corp**	-21.2	32⅛–17⅝	21⅜	22.2	**474**	-0.25	def	2.00	9.4
818	782	**Household Intl**	-21.5	22 –13⅝	16⅞	46.6	**786**	1.86	9	1.65	9.8
819	861	**Consumers Power**	-21.6	25⅞–15⅜	17¼	59.9	**1,063**	3.47	5	2.36	13.3
820	894	**Phila Electric**	-21.7	21¼–11⅛	14	106.3	**1,488**	2.14	7	2.00	14.3
821	629	**Singer**	-21.7	25¾– 6¼	15¼	16.6	**262**	2.50	6	0.10	0.6
822	971	**Citicorp**	-21.8	34 –17	25⅜	122.9	**3,150**	3.36	8	1.56	6.1
823	831	**Scot Lad Foods**	-21.8	8 – 3½	4⅜	4.4	**19**	1.03	4	none	0.0
824	870	**Maytag**	-21.8	35⅞–21½	27¾	14.1	**392**	2.85	10	2.30	8.3
825	654	**Scovill**	-21.8	24⅞–13⅞	17	9.4	**160**	2.21	8	1.52	8.9
826	731	**BankAmerica**	-21.9	30⅞–20¼	23⅝	147.6	**3,486**	3.47	7	1.52	6.4
826	858	**N Y State Elec & Gas**	-21.9	21¾–13⅛	15¾	32.3	**508**	2.65	6	2.00	12.7
828	742	**Equifax**	-22.0	30¼–17	23	3.4	**77**	4.67	5	2.40	10.4
829	902	**Carter Hawley Hale**	-22.1	23 –13¾	15	28.0	**420**	1.92	8	1.22	8.1
830	737	**Castle & Cooke**	-22.1	20⅜– 9½	9½	26.4	**251**	1.16	8	0.80	8.4
831	931	**Southern Company**	-22.1	18 –10¼	12¾	184.7	**2,354**	1.93	7	1.62	12.7
832	794	**Pacific Pwr & Lt**	-22.3	24¼–16¼	18¾	50.4	**945**	2.82	7	2.04	10.9

Note: Except as footnoted, price changes are measured from Dec. 31, 1976 to Nov. 18, 1981. For comparison, the five year change in the Consumer Price Index was 60.6%.
def: deficit.

Who's where in the stock market

Rank 81	Rank 80	Company	5-year price change	1977-81 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
833	921	**Public Service Colo**	−22.4%	20¼–11⅛	14¾	44.6	**$658**	$2.06	7	$1.68	11.4%
834	391	**Eastern Air Lines**	−22.4	15⅝– 5⅛	6½	24.8	**161**	−2.56	def	none	0.0
835	429	**Wickes Companies**	−22.4	19⅛–10⅛	10½	14.2	**149**	0.70	15	none	0.0
836	586	**DEKALB AgResearch**	−22.5	60¼–16½	26¾	12.9	**344**	2.70	10	0.72	2.7
837	956	**Burlington Inds**	−22.5	30 –14¾	22	28.5	**626**	4.10	5	1.52	6.9
837	583	**Quaker State Oil**	−22.5	23½–10¼	12¼	21.7	**266**	1.20	10	0.80	6.5
839	881	**Kerr Glass Mfg**	−22.5	17¾– 8½	12½	4.0	**50**	2.10	6	0.44	3.5
840	972	**Eastman Kodak**	−22.7	86¾–41⅛	66½	161.4	**10,733**	7.89	8	3.50	5.3
841	960	**Uniroyal**	−23.4	11¼– 3⅛	7⅜	26.6	**196**	1.30	6	none	0.0
842	896	**Union Carbide**	−23.4	62⅜–33⅝	47⅜	67.4	**3,192**	9.73	5	3.40	7.2
843	932	**May Dept Stores**	−23.4	32⅛–18	24½	29.4	**719**	4.18	6	1.70	6.9
844	619	**First Charter Finl**	−23.5	21¾–10¾	13	29.8	**388**	−0.66	def	0.80	6.2
845	661	**Wetterau**	−23.7	22¾– 9⅞	10⅞	7.6	**82**	1.12	10	0.80	7.4
846	838	**Roadway Express**	−23.9	50¼–21¾	34¼	19.8	**680**	3.94	9	1.40	4.1
847	910	**Skyline**	−24.2	19⅝– 8½	14⅛	11.2	**158**	0.60	24	0.48	3.4
848	922	**Goodyear**	−24.2	23⅞–10¾	18	71.8	**1,293**	2.96	6	1.30	7.2
849	997	**Sheller-Globe**	−24.4	15⅜– 4¾	10⅞	6.2	**68**	2.67	4	0.40	3.7
850	530	**Corning Glass Works**	−24.4	75¾–44⅞	53⅞	18.3	**987**	6.51	8	2.32	4.3
851	978	**Associated Dry Goods**	−24.5	33⅝–15⅝	25	13.6	**339**	3.78	7	1.80	7.2
852	987	**Illinois Power**	−24.6	28⅝–15¾	20¾	39.0	**809**	2.80	7	2.48	12.0
853	899	**Hercules**	−25.0	28½–12¼	21	42.5	**893**	2.89	7	1.32	6.3
853	839	**G C Murphy**	−25.0	22½–11⅝	14¼	4.0	**56**	2.62	5	1.28	9.0
855	712	**National City**	−26.0	48½–28¾	33½	7.8	**262**	4.79	7	2.75	8.2
856	916	**Central Ill Pub Svc**	−26.0	16⅛– 9⅞	11⅜	30.1	**342**	1.53	7	1.44	12.7
857	739	**UMC Industries**	−26.1	22⅜– 9¼	11	6.1	**67**	1.74	6	1.20	10.9
858	879	**Jonathan Logan**	−26.1	16¼– 6½	11	5.2	**57**	−3.07	def	0.60	5.5
859	889	**Union Electric**	−26.2	16¾– 9¾	11⅝	67.0	**779**	1.77	7	1.52	13.1
860	876	**Monsanto**	−26.2	88⅞–42¼	65	39.3	**2,556**	8.37	8	3.80	5.8
861	840	**Campbell Soup**	−26.4	39⅝–25¼	29	32.2	**935**	4.10	7	2.10	7.2
861	908	**Carnation**	−26.4	40⅜–21	29	36.8	**1,067**	4.05	7	1.82	6.3
863	948	**Allegheny Power**	−26.4	22⅝–12⅛	16⅜	46.5	**761**	2.98	5	2.16	13.2
864	976	**Dayton Power & Light**	−26.4	22⅜–11⅛	14⅝	31.2	**456**	2.50	6	1.82	12.4
865	597	**Texas Instruments**	−26.6	150¾–61⅜	75⅜	23.5	**1,774**	5.38	14	2.00	2.7
866	557	**Eagle-Picher Inds**	−26.7	25⅝–13⅝	14¼	9.7	**138**	2.18	7	0.96	6.7
867	901	**Black & Decker**	−26.7	25¼–14¼	14¾	42.1	**621**	1.56	9	0.76	5.2
868	1002	**Oklahoma Gas & Elec**	−26.8	19⅞–11½	14⅜	33.9	**487**	1.80	8	1.68	11.7
869	593	**Sperry**	−26.9	65⅝–29⅜	31¼	41.8	**1,307**	5.31	6	1.92	6.1
870	627	**B F Goodrich**	−27.0	33⅝–16⅛	19⅝	17.4	**342**	4.14	5	1.56	7.9
871	843	**Gas Service**	−27.0	16¼– 9¼	10⅛	4.2	**43**	1.64	6	1.28	12.6
872	869	**Pittston**	−27.4	37⅛–16	25⅜	38.1	**967**	0.86	30	1.20	4.7
873	649	**Fruehauf**	−27.6	40 –19¾	20	12.3	**245**	2.89	7	1.40	7.0
874	867	**Harris Bankcorp**	−27.6	39⅛–20⅝	27½	6.9	**189**	3.86	7	2.20	8.0
875	691	**IBM**	−27.8	80½–48⅜	50⅜	587.8	**29,609**	5.91	9	3.44	6.8
876	646	**Champion Intl**	−27.9	30¼–16¾	19¾	54.8	**1,082**	2.24	9	1.48	7.5
877	969	**UAL**	−28.4	45¾–13½	19¼	29.5	**568**	1.01	19	none	0.0
878	744	**Ingersoll-Rand**	−28.6	80 –44¼	54½	19.3	**1,049**	8.58	6	3.40	6.2
879	935	**Kentucky Utilities**	−28.7	25¼–14⅜	16½	14.2	**235**	1.92	9	2.12	12.8
880	*	**Research-Cottrell**	−28.7	26⅝– 9⅞	13⅜	4.8	**64**	1.98	7	0.32	2.4
881	925	**Cincinnati G & E**	−29.0	25⅞–14	16¼	34.0	**553**	2.26	7	2.10	12.9
882	929	**American Motors**	−29.0	9½– 2¾	2¾	57.0	**157**	−2.32	def	none	0.0
883	1004	**Mohasco**	−29.1	19¼– 7	13⅜	6.6	**88**	1.13	12	none	0.0
884	601	**Cummins Engine**	−29.6	58¾–25⅞	34⅛	8.4	**288**	11.03	3	2.00	5.9
885	1008	**Federated Dept Stores**	−29.9	49⅛–21¼	34⅜	48.5	**1,667**	5.17	7	1.90	5.5
886	778	**Harnischfeger**	−29.9	26 – 9¾	12⅝	10.1	**127**	3.09	4	0.40	3.2
887	863	**Petrie Stores**	−30.0	32⅞–15½	17⅝	20.3	**358**	2.40	7	1.47	8.3
888	920	**Cleveland Elec Illum**	−30.1	23⅜–13½	16⅛	50.4	**813**	2.47	7	2.08	12.9
889	874	**Economics Laboratory**	−30.2	29½–16⅛	17⅜	13.5	**234**	2.21	8	1.04	6.0
890	995	**Commonwealth Edison**	−30.4	32¼–16¼	22	120.4	**2,649**	3.16	7	2.80	12.7
891	926	**Louisville Gas & Elec**	−30.5	27½–14½	18½	13.9	**258**	3.31	6	2.22	12.0
892	700	**MAPCO**	−30.7	51⅞–26¼	30½	27.6	**843**	3.45	9	1.80	5.9
893	773	**Union Camp**	−30.8	66⅝–36½	46⅛	24.3	**1,121**	7.15	6	2.80	6.1
894	563	**Modern Merchandising**	−30.8	19⅝– 7½	9¼	8.5	**78**	0.63	15	0.20	2.2
895	760	**Libbey-Owens-Ford**	−31.1	37⅝–19¾	25¾	11.1	**286**	0.73	35	1.20	4.7
896	981	**Emery Air Freight**	−31.1	28¾–12	12⅞	15.5	**200**	1.46	9	1.00	7.8

Note: Except as footnoted, price changes are measured from Dec. 31, 1976 to Nov. 18, 1981. For comparison, the five year change in the Consumer Price Index was 60.6%.
def: deficit. *Not ranked last year.

Who's where in the stock market

Rank 81	Rank 80	Company	5-year price change	1977-81 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
897	955	**Duquesne Light**	−31.7%	21¼–11⅜	14	44.7	$ 626	$1.92	7	$1.90	13.6%
898	823	**Graniteville**	−31.9	17¼– 9⅝	10⅛	4.3	44	0.87	12	1.00	9.9
899	779	**Briggs & Stratton**	−32.3	33¼–20¾	22½	14.5	325	1.58	14	1.52	6.8
900	631	**Owens-Corning Fbrgls**	−32.6	36⅝–21½	22½	30.7	690	2.13	11	1.20	5.3
901	933	**American Elec Power**	−32.8	25¾–15¼	17⅛	158.5	2,714	2.22	8	2.26	13.2
902	527	**RCA**	−33.0	33⅞–16¾	18	75.5	1,359	0.02	NM	1.80	10.0
903	1000	**Fleetwood Enterprises**	−33.1	19⅝– 5⅛	12⅞	11.2	144	0.63	20	0.52	4.0
904	959	**Public Service Indiana**	−33.2	31⅞–17½	21⅛	38.1	804	3.04	7	2.60	12.3
905	791	**Avondale Mills**	−33.4	26½–13⅜	16½	2.2	37	1.82	9	1.20	7.3
906	771	**F W Woolworth**	−33.5	32 –17	17⅛	30.3	518	3.90	4	1.80	10.5
907	977	**Ralston Purina**	−33.7	17⅞– 9¼	11¾	107.9	1,268	1.62	7	0.72	6.1
908	747	**American Family**	−33.7	15½– 7	7⅛	13.5	96	1.24	6	0.60	8.4
909	1011	**Colonial Penn Group**	−34.1	38 –13½	19⅛	16.1	308	1.23	16	1.40	7.3
910	990	**Akzona**	−34.1	19⅛– 7¾	11⅛	12.2	136	1.19	9	0.80	7.2
911	669	**Xerox**	−34.2	71¾–38½	38½	84.5	3,254	7.49	5	3.00	7.8
912	944	**Portland Genl Elec**	−34.4	20⅞–10¾	13⅜	39.4	527	2.25	6	1.74	13.0
913	732	**General Refractories**	−34.9	14 – 4¾	5⅛	3.8	19	−3.17	def	none	0.0
914	980	**Toledo Edison**	−35.4	27⅛–15	17⅛	23.3	399	2.69	6	2.28	13.3
915	799	**Avon Products**	−35.6	63 –30⅝	31⅞	60.2	1,917	3.96	8	3.00	9.4
916	474	**Koppers**	−36.2	35¼–16¼	16½	27.6	456	1.57	11	1.40	8.5
917	671	**Clark Equipment**	−36.3	45 –26¾	27	12.7	344	3.85	7	2.20	8.1
918	853	**Foodarama Supermkts**	−36.4	10 – 3	3½	1.3	5	0.46	8	none	0.0
919	938	**Beatrice Foods**	−36.6	28⅜–16¼	18	97.8	1,761	3.56	5	1.40	7.8
920	551	**Crown Zellerbach**	−36.9	62¼–25	28⅜	26.8	760	2.73	10	2.30	8.1
921	968	**Hanna Mining**	−37.3	54¼–28⅝	33⅞	8.9	302	5.86	6	2.00	5.9
922	985	**Marshall Field**	−37.4	35¼–12¾	14¼	10.8	154	2.17	7	1.24	8.7
923	1012	**Warner-Lambert**	−37.7	32½–17	19¼	79.7	1,534	0.12	NM	1.40	7.3
924	1022	**Outboard Marine**	−37.7	27¾– 8⅞	17⅛	8.4	143	3.22	5	0.80	4.7
925	841	**Brockway Glass**	−38.2	23⅞–12½	14	7.4	104	2.33	6	1.20	8.6
926	1006	**United States Steel**	−38.9	50 –16¼	30⅝	89.2	2,710	13.13	2	2.00	6.6
927	918	**Chic Pneumatic Tool**	−39.1	34⅞–16⅞	17¾	4.9	87	1.28	14	2.00	11.3
928	1018	**Jos Schlitz Brewing**	−39.3	18½– 5	11	29.1	320	−0.67	def	none	0.0
929	681	**Revlon**	−39.4	59 –26⅝	26⅞	36.2	973	4.17	6	1.84	6.8
930	943	**Ohio Edison**	−39.5	21½–10¼	12⅝	70.1	885	1.76	7	1.76	13.9
931	689	**Bucyrus-Erie**	−39.6	27½–14¼	16⅜	20.4	334	1.84	9	0.88	5.4
932	541	**Reynolds Metals**	−39.7	44⅞–23⅛	24⅛	19.3	467	7.24	3	2.40	9.9
933	856	**Kellwood**	−39.8	23½– 8⅛	9¼	3.5	32	0.92	10	0.40	4.3
934	751	**Reichhold Chemicals**	−39.9	20⅛– 9⅝	11½	6.9	80	2.43	5	0.48	4.2
935	827	**Pan Am World Airways**	−40.0	10¾– 2½	3	71.2	214	3.67	1	none	0.0
935	888	**Western Air Lines**	−40.0	14⅝– 5¾	6	13.0	78	−2.21	def	none	0.0
937	*	**First Natl Supermkts**	−40.6‡‡	14 – 3¾	4¾	3.1	15	1.60	3	0.02	0.4
938	949	**Adolph Coors**	−40.7	21¾– 9½	12	35.0	420	1.27	9	0.30	2.5
939	990	**No Indiana Pub Svc**	−41.5	21¼–10	11⅝	45.7	531	1.69	7	1.50	12.9
940	546	**Borman's**	−41.9	9⅞– 2	2¼	2.9	7	−2.18	def	none	0.0
941	850	**Weyerhaeuser**	−42.2	46½–20¾	26⅞	125.5	3,374	1.65	16	1.30	4.8
942	979	**Pantry Pride**	−42.2	7⅝– 1	3¼	9.6	31	−1.39	def	none	0.0
943	998	**Armstrong World Inds**	−42.3	27¾–12⅜	15⅞	24.7	393	2.26	7	1.10	6.9
944	958	**International Paper**	−42.5	69⅝–30½	39⅝	49.5	1,963	6.80	6	2.40	6.1
945	973	**Lowe's Companies**	−42.5	19⅞– 8⅞	11½	19.5	225	0.88	13	0.48	4.2
946	963	**Champion Spark Plug**	−42.7	14⅝– 7⅛	7⅜	38.3	283	0.69	11	0.80	10.8
947	966	**Schering-Plough**	−43.0	45⅝–24⅞	25½	53.2	1,356	3.45	7	1.68	6.6
948	470	**Memorex**	−43.8	60¼– 8⅜	13⅝	7.2	98	−5.59	def	none	0.0
949	975	**Safeway Stores**	−44.9	50⅜–24½	27⅝	26.1	721	4.17	7	2.60	9.4
950	945	**Dow Chemical**	−45.0	43¾–22	23⅞	190.4	4,546	3.56	7	1.80	7.5
951	1013	**Colgate-Palmolive**	−45.0	27⅝–11	15⅛	81.9	1,239	2.03	7	1.20	7.9
952	264	**Allis-Chalmers**	−45.2	38⅝–14¼	14¼	12.5	178	1.54	9	1.00	7.0
953	673	**Liquid Air**	−45.8	34½–17¼	17¾	10.2	181	2.77	6	1.60	9.0
954	953	**National Steel**	−46.3	45⅝–22¾	24¼	18.7	454	4.52	5	2.00	8.2
955	986	**ARA Services**	−47.8	50¾–23¾	26⅛	11.2	292	4.00	7	2.00	7.7
956	934	**Fedl Natl Mortgage**	−48.5	19⅝– 6⅝	8¾	59.1	517	−2.01	def	0.16	1.8
957	880	**Bethlehem Steel**	−48.6	40⅝–18⅛	20¾	43.7	906	5.40	4	1.60	7.7
958	1021	**J C Penney**	−48.7	52¾–19⅝	27	70.1	1,892	4.85	6	1.84	6.8
959	*	**Telecom**	−49.2	18 – 3¾	3¾	4.3	16	−3.22	def	none	0.0
960	884	**Polaroid**	−49.2	60¼–19	19¾	32.9	649	1.87	11	1.00	5.1

Note: Except as footnoted, price changes are measured from Dec. 31, 1976 to Nov. 18, 1981. For comparison, the five year change in the Consumer Price Index was 60.6%.

*Not ranked last year. ‡‡Three-year price change. def: deficit. NM: not meaningful.

Who's where in the stock market

Rank 81	Rank 80	Company	5-year price change	1977-81 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
961	809	**Georgia-Pacific**	–49.8%	37 –17¾	18½	98.9	**$1,830**	$1.92	10	$1.20	6.5%
962	964	**Pabst Brewing**	–50.0	34¾–10¾	11¾	8.2	**96**	–0.02	def	0.40	3.4
963	844	**Certain-teed**	–50.3	28¼–10	10⅝	13.5	**144**	–0.50	def	none	0.0
964	1015	**Sears Roebuck**	–51.8	34⅝–14⅝	16⅝	315.6	**5,247**	1.60	10	1.36	8.2
965	1020	**Firestone**	–52.1	23¾– 6⅛	11⅜	57.7	**657**	1.63	7	0.60	5.3
966	760	**Cal-Maine Foods**	–52.8	7 – 3⅛	3⅛	2.6	**8**	–1.77	def	none	0.0
967	913	**Jim Walter**	–55.0	39⅜–16⅝	17⅝	16.5	**291**	1.09	16	1.00	5.7
968	770	**Manville**	–55.2	38¼–13⅜	15	23.2	**348**	1.42	11	1.92	12.8
969	946	**Inland Steel**	–55.5	52¼–22¼	22⅝	20.8	**471**	4.27	5	2.00	8.8
970	930	**General Motors**	–55.6	78½–34⅞	34⅞	301.0	**10,499**	0.97	36	2.40	6.9
971	833	**Envirotech**	–55.8	42⅝– 6½	15⅛	4.6	**69**	–0.40	def	none	0.0
972	883	**Zenith Radio**	–56.1	28 – 7⅞	12¼	18.9	**232**	1.08	11	0.30	2.4
973	1001	**Allied Supermarkets**	–57.7	4⅛– ⅛	1⅜	5.2	**7**	0.81	2	none	0.0
974	864	**Inco**	–58.6	34 –12½	13½	76.5	**1,032**	0.66	20	0.20	1.5
975	1007	**K mart**	–60.4	40⅞–15⅛	16⅛	124.0	**1,999**	1.88	9	0.96	6.0
976	983	**Westmoreland Coal**	–62.5	56 –17¾	21	6.8	**143**	–2.53	def	none	0.0
977	822	**Talley Industries**	–63.2	15⅜– 3⅜	3½	4.8	**17**	–1.86	def	none	0.0
978	947	**Goldblatt Brothers**	–63.3	6½– ¾	1⅜	3.0	**4**	–9.90	def	none	0.0
979	1019	**Yellow Freight System**	–64.0	42 –12	15⅝	14.2	**218**	1.33	12	0.84	5.5
980	846	**KDT Industries**	–64.8	18 – 4½	4⅝	7.3	**34**	0.20	23	none	0.0
981	994	**Bird & Son**	–65.0	26½– 7¾	9	4.1	**37**	–4.17	def	0.35	3.9
982	984	**Ford Motor**	–65.5	51⅞–15¾	17	120.6	**2,050**	–8.56	def	1.20	7.1
983	1003	**Burroughs**	–65.8	91¾–27⅛	31⅜	41.7	**1,309**	0.41	NM	2.60	8.3
984	1028	**General Public Utils**	–67.3	21⅝– 3⅜	6⅜	61.3	**391**	0.34	19	none	0.0
985	1026	**United Merch & Mfrs**	–67.4	13⅛– 2½	3¾	6.5	**25**	0.03	NM	none	0.0
986	993	**Penn-Dixie Inds**	–68.4	6¼– 1⅜	1⅝	5.3	**9**	–6.03	def	none	0.0
987	639	**Rath Packing**	–68.8	8¼– 1⅛	1¼	2.4	**3**	–4.93	def	none	0.0
988	1014	**Great Atl & Pac Tea**	–69.3	14¾– 3½	4⅜	37.4	**164**	–0.74	def	none	0.0
989	452	**AM International**	–69.8	32⅞– 3⅜	4	10.2	**41**	–10.49	def	none	0.0
990	1024	**McLouth Steel**	–72.8	18½– 4¼	5	5.5	**27**	–5.97	def	none	0.0
991	1009	**McLean Trucking**	–73.5	26¼– 6½	6¾	5.6	**38**	–0.17	def	0.32	4.7
992	999	**Braniff Intl**	–74.7	18⅝– 2⅛	2¾	20.0	**55**	–8.15	def	none	0.0
993	1005	**Olympia Brewing**	–75.8	60¼–11	11⅛	2.6	**29**	0.22	51	0.90	8.1
994	693	**Intl Harvester**	–76.1	45½– 7¼	7⅞	32.3	**254**	–2.18	def	none	0.0
995	1027	**First Pennsylvania**	–80.5	18⅞– 3	3¼	15.9	**52**	–2.75	def	none	0.0
996	974	**Chrysler**	–81.0	22 – 3¾	3⅞	73.1	**283**	–9.91	def	none	0.0
997	1023	**Sambo's Restaurants**	–87.3	27 – 2¼	2¼	12.8	**29**	–2.70	def	none	0.0
998	1017	**Commonwealth Oil Rfg**	–89.1	19⅜– ⅛	⅞	19.1	**17**	–5.01	def	none	0.0
999	1029	**Massey-Ferguson**	–91.4	23⅛– 1⅞	1⅞	36.9	**69**	–13.80	def	none	0.0
1000	505	**Seatrain Lines**	–96.1	15⅜– ⅝	⅝	14.5	**5**	NA	—	none	0.0
**	40	**Bruno's**		16⅞–10⅝	10¾	8.2	**89**	1.26	9	0.32	3.0
**	85	**Centl Louisiana Engy†**		40¼–37	38	21.7	**824**	4.08	9	0.48	1.3
**	*	**Coastal Corp**		59½–14¾	36	21.6	**778**	–0.12	def	0.40	1.1
**	*	**Consol Petroleum**		12½– 4⅛	4¾	9.8	**46**	0.16	30	none	0.0
**	*	**Cross & Trecker**		42¼– 9½	19	12.4	**235**	3.32	6	0.80	4.2
**	*	**CSX**		60½–41	56½	40.9	**2,313**	7.95	7	2.84	5.0
**	*	**Dart & Kraft**		52⅛–39⅜	50¼	54.5	**2,741**	7.16	7	3.40	6.8
**	362	**Dillingham**		13½– 9⅞	13	15.1	**197**	1.54	8	0.70	5.4
**	*	**Engelhard**		30¾–17	18⅛	27.2	**492**	2.52	7	0.56	3.1
**	*	**L B Foster**		17¼–12¾	15	9.7	**145**	3.28	5	0.10	0.7
**	223	**Fuqua Industries†**		21⅛–12½	19¾	12.9	**250**	1.23	16	0.60	3.1
**	*	**GEO International**		46½–27⅜	35¼	11.2	**394**	4.16	8	0.24	0.7
**	*	**IU International**		24⅞– 9⅝	14¾	20.0	**295**	3.22	5	1.10	7.5
**	452	**LTV†**		22¼–12⅝	16⅜	47.8	**782**	8.17	2	none	0.0
**	*	**MGM Grand Hotels**		17⅜– 7⅛	8⅜	32.5	**272**	0.89	9	0.44	5.3
**	*	**Nabisco Brands**		31⅞–25⅛	29⅜	63.0	**1,852**	4.04	7	1.85	6.3
**	*	**NIKE**		27¼–17	26	17.5	**456**	1.91	14	none	0.0
**	209	**Peabody Intl**		8⅞– 5¼	7	10.9	**76**	–0.40	def	0.16	2.3
**	98	**Phibro**		37 –22½	26⅝	68.7	**1,829**	4.64	6	0.94	3.5
**	*	**Richardson-Vicks**		34¾–21⅜	28⅞	23.6	**680**	3.37	9	1.48	5.1
**	*	**Swift Independent**		15⅜– 8¾	11	5.0	**55**	3.39	3	1.04	9.5
**	*	**Valero Energy**		43⅞– 5	24⅝	22.3	**550**	3.62	7	0.32	1.3
**	*	**Wilson Foods**		7 – 4	5¼	4.9	**26**	–7.62	def	none	

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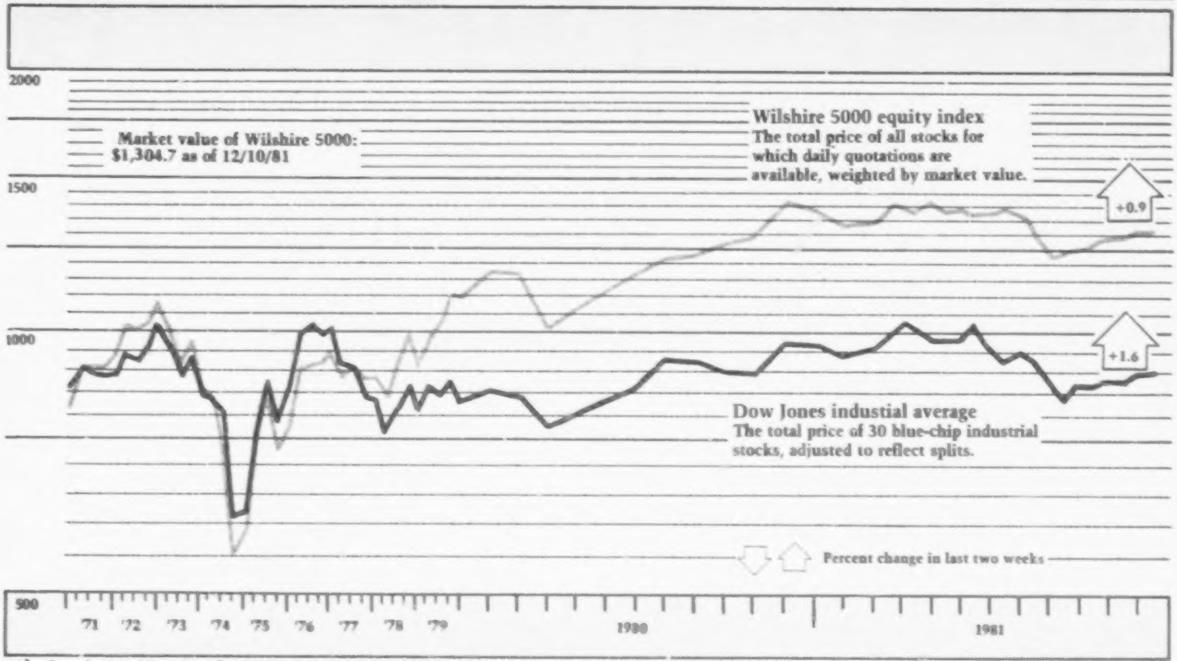
*Not ranked last year. **Not ranked due to merger, spin-off or new issue. †Spin-offs had little impact on the five-year price changes of the following companies: Central Louisiana Energy 169.0%; Fuqua Industries 68.5%; LTV 22.4%. NM: not meaningful. NA: not available. def: deficit.

The Forbes/Wilshire 5000 Review



It's back to the basics. Over the past four weeks, Wall Street confirmed a classic turnaround. The Dow, which trailed the overall market for the balance of 1981, is suddenly outpacing the broader averages. Meanwhile, the normally pace-setting o-t-c stocks are at the bottom of the current performance charts.

What's happening? Investors, it seems, are really nervous about the Reagan recession—and they're seeking refuge in tried-and-true blue chip equities. As a group, the only stocks that moved up significantly were big, low-volatility companies. In contrast, high-P/E, low-yield issues got clobbered.

The big question for the new year is whether this trend will continue. Several times during the past 12 months it seemed as if larger, old-line companies would reassert market leadership. But always they lost out to the robust, smaller-growth issues. Perhaps the current economic dip will finally break that trend.

In a moment when traditional virtues prevail, however, take time to study the 52-week performance figures. In a year when the overall inflation rate averaged close to 10%, it was rough sledding just to break even in the stock market. For the year, the broad-based Wilshire Index was down 0.3%, and only o-t-c stocks managed to stay positive. As a group, they were up 5.4%. That gets star billing on Wall Street, but allowing for rising price levels, most equity investors still lost money during 1981.

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones industrials	NYSE Composite	ASE Market Value Index	NASDAQ Composite
in last 4 weeks	1.3	3.7	1.6	0.3	−1.0
in last 52 weeks	−0.3	−1.8	−0.4	−0.5	5.4

Stock performance based on five key investor yardsticks

Percent change	Volatility *		P/E multiple		Dividend yield		Growth profile †		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	−0.9	0.6	−2.6	−0.4	0.4	−1.9	−1.0	−0.7	1.9	−2.3
in last 52 weeks	8.1	19.3	−5.8	9.9	16.6	10.3	8.9	14.4	5.1	16.6

* A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.

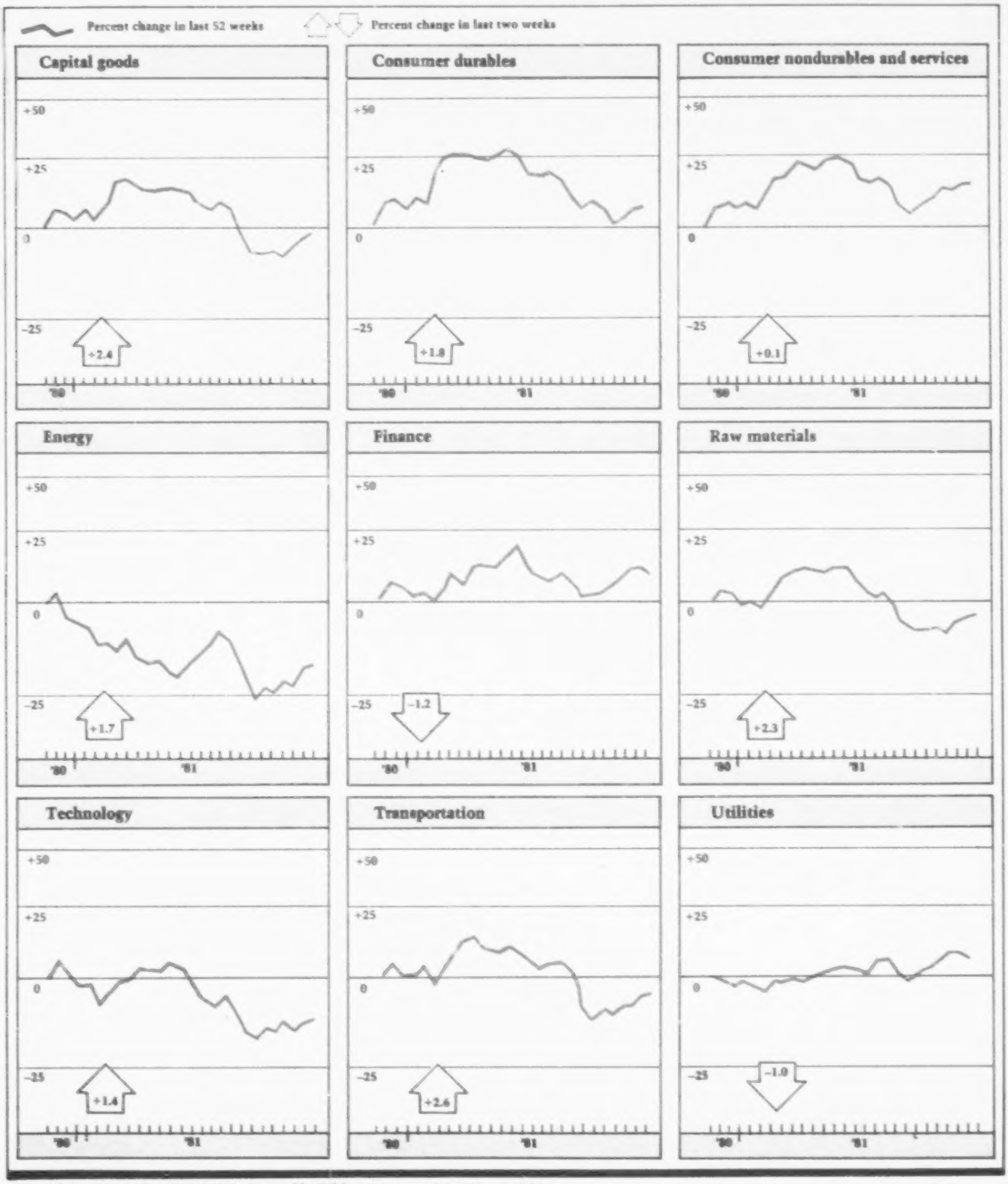
† A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 12/10/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

Take a plane, take a train. Over the past two weeks, transportation stocks were Wall Street's stars—even though their 12-month showing is strictly low speed. At the same time, utility issues, which beat all groups in 12-month performance, transformed recent gains into a rout. In our last report, these high-yield issues were holding steady in the face of substantial 1981 price increases. Now, they are down significantly. Some folks, apparently, think the decline in interest rates is over.

Otherwise, raw materials and capital goods stocks were up smartly. Energy issues continued their recent gains as well—but at a much less dramatic pace than in recent weeks. Despite the splashy takeovers, these stocks have been the year's biggest losers.



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